



**Kim Bolduc, Executive Secretary a.i.**

**Statement to the Annual Session of the UNDP/UNFPA/UNOPS Executive Board**

**United Nations, Geneva**

**24 June 2014**

**CHECK AGAINST DELIVERY**

Mr. President. Distinguished Delegates

First allow me to thank the Associate Administrator for her kind remarks. It has been a privilege in leading UNCDF during the past few weeks of the current management transition period while awaiting the appointment of a new Executive Secretary.

UNCDF has a special investment mandate allowing it to extend loans, guarantees and capital grants of any size to private or public entities. While the size of these investments has traditionally been small, UNCDF has an impressive track record in applying this flexible mandate in innovative ways to deliver concrete and measurable development results at the local level, while creating the pre-conditions necessary for national scale up. This has been confirmed by external ratings and evaluations in the recent past.

UNCDF applies its mandate and technical strength in strategic partnerships with a growing number of development partners including other UN agencies, the IFIs, private sector foundations and bilateral development agencies. This enables the innovative seed capital programmes to leverage larger flows of resources from both international and domestic institutional and private investors, as well as donor and LDC governments.

Also as pointed out by the Associate Administrator, UNCDF is a close and important partner to UNDP. We collaborate in a number of ways with a view to maximize the synergies between

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UNCDF's mandate and flexibility and UNDPs technical strength, legitimacy and country presence.

At the country level, UNDP and UNCDF work together in many LDCs through joint programmes in support of financial inclusion and local development finance. Worth mentioning is the technical support UNCDF provides to UNDP on matters relating to its financial mandate, including financial inclusion in non-LDC countries. We also represent UNDP – and often the larger UN system – in donor groups and global fora dealing with financial inclusion.

UNCDF's global programmes provide opportunities to broaden and deepen the scope of UN country programmes, for example through the private sector investment financing of the Local Finance Initiative and the capital investments in post conflict states.

At the operational level, UNCDF has continued to align its systems and procedures with UNDP, in order to strengthen coherence and efficiency. In 2013 we registered a balanced growth in income, particularly non-core, efficient financial delivery, and – most importantly – the achievement of most of its programme and management targets.

The policy and advocacy role is exemplified by the Better than Cash Alliance hosted by UNCDF and the recent appointment as implementing partner of the G20's Global Partnership for Financial Inclusion (GPFI) for the market and payment systems sub-group. Another example, is the Local Climate Adaptive Living Facility – LoCAL – which seeks to provide a means for Least Developed Countries to effectively invest in climate adaptation and resilience at the local level, using UNCDF's expertise in local public financial management and investment programming, together with the climate expertise of other specialized agencies and the global advocacy of UNDP.

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Let me turn to the 2013 institutional results and then give the floor to my colleague David Jackson who will provide further details on 2013 operational results.

Building on its core areas of expertise – local development finance and inclusive finance. Last year UNCDF also explored new channels for additional financing for sustainable development from private partners into LDCs, with a view to fully activate its investment mandate.

UNCDF also stepped-up its interaction with members of the Executive Board through regular stakeholder consultations that have helped to shape its strategic framework for 2014 – 2017, which was presented to the Executive Board as an informal board document at the first regular session of 2014.

As in the past 8 years, UNCDF's 2013 overall income continued to grow reaching a record \$65 million - an increase of 18% over 2012 level. The number of donors increased to 36, up from 27 in 2010.

While this growth in income along with the more diverse donor support are healthy signs, much of the recent UNCDF growth has been in non-core resources, growing by 24% in 2013 with 25% originating from major private foundations and corporations.

Nevertheless, and while growing slightly in 2013, contributions to core resources remained \$9 million short of the \$25 million per year required to maintain UNCDF's support to 40 LDCs.

The paradox is that despite this growth in non-core resources, the shortfall in core resources and limited programme reserves meant that in 2013 UNCDF was forced to cancel its programming in several LDCs – the number of LDCs served by UNCDF fell from 37 in 2012 to 33 in 2013.

This situation had been forewarned at formal and informal Executive Board sessions in 2012 and 2013. A further drop is anticipated in 2014, unless the core threshold is achieved.

In this context, we are grateful for the continued support by existing core donors and warmly welcome two new core donors, namely Switzerland and Italy in 2013 and 2014 respectively. In 2013, the six largest core donors were Sweden, followed by Switzerland, Luxembourg, Belgium,

Austria and the United States. In terms of non-core contributions, the largest source was multi-donor or One UN funds at country level followed by Sweden, The MasterCard Foundation, Australia and Bill & Melinda Gates Foundation.

In an effort to achieve long-term financial sustainability, UNCDF has pro-actively explored a number of options to reduce its dependence on core resources. These include shifting costs from core to non-core, charging appropriate cost recovery rates particularly to contributions from private donors and pursuing more flexible non-core approaches such as global thematic programmes, which constitute a growing share of UNCDF's portfolio.

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In summary, UNCDF would welcome a continued and deepened dialogue with member states on partnerships to achieve the \$25 million threshold level as early as possible.

As indicated during the stakeholder consultations in 2013, UNCDF would in return maintain its commitment to invest its seed capital to leverage at least 4 times as much in non-core funding for projects and programmes. These projects themselves are scaled up by follow on investments and replication to the order of 1:10 on average, while keeping management costs at the same – or lower - level.

On this basis, a \$25 million core base should provide UNCDF with the technical infrastructure and seed capital to expand programming to 40 LDCs while leveraging between \$75 and \$100 million in non-core contributions annually – and as a result leveraging substantive levels in follow-on investment, primarily from domestic, private and public sources that scale UNCDF's interventions. At this level of \$100m annual in non-core resources, UNCDF's management costs would be covered by cost recovery fees of at least 8%, freeing up most of core resources for programme interventions.

In this projection, and as non-core continues growing, the requirement for CORE funding would diminish in just a few years of this successful equation.

Looking to the future, the 2014 first regular Executive Board session the Board took note of the UNCDF Strategic Framework, 2014-2017, which is an integral part of UNDP's Strategic Plan for the same period. The related Integrated Results and Resources Matrix was presented to the Executive Board at an informal session on 11 June 2014. The Strategic Framework is consistent with and guided by General Assembly resolution 67/226 on the Quadrennial Comprehensive Policy Review.

It reaffirms the commitment of UNCDF to help accelerate progress towards the Millennium Development Goals and to implement the post-2015 development agenda.

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Let me now give the floor to David Jackson, Director of the Local Development Finance Programme Area, who will provide an update on UNCDF programmatic results in 2013.

Thank you