

UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

Support to AU/NEPAD (Period of July 2009 to June 2010)

UNCDF is the UN's capital investment agency for the world's least developed countries. It works to advance the Millennium Development Goals and create new opportunities for poor people by increasing access to microfinance and basic services, in ways that are sustainable and can be taken to scale by the private sector, national governments and development partners.

On the ground in over 40 of the world's poorest countries, primarily in Africa and Asia, UNCDF provides technical support and seed capital – grants and loans – to strengthen institutions that create economic opportunity and provide essential services for poor people.

UNCDF works to reduce poverty by:

Increasing access to microfinance: microfinance enables poor people to increase their incomes and protect against reversals, yet 90% of people in least developed countries lack access to the formal financial systems. UNCDF supports providers and policies that help more households and small businesses to gain access to microfinance, including credit, savings, insurance and remittances.

Strengthening local services: decent local services enable poor people to meet their basic needs and pursue new opportunities, yet local services are weak or inadequate in most least developed countries. UNCDF supports policies and institutions that strengthen local services and ensure local investments -- irrigation schemes, clinics, roads, water supply – respond to the needs of poor people.

UNCDF's work in microfinance and local development enlarges people's choices, and helps them respond to food insecurity, climate change and other challenges.

UNCDF works in challenging environments – remote rural areas, countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to shape national policies and to catalyze larger-scale investments by the private sector, development partners and national governments, for significant impact on the Millennium Development Goals, especially Goal 1: *Eradicate Extreme Poverty and Hunger*, Goal 3: *Promote Gender Equality and Empower Women*, and Goal 7: *Ensure Environmental Sustainability*.

Established by the General Assembly in 1966 and with headquarters in New York, UNCDF is an autonomous UN organization affiliated with UNDP.

UNCDF's work in Africa is in line with NEPAD priority to achieve and sustain social and economic development. 70% of UNCDF's overall portfolio is in Africa, 30% in Asia

and Haiti. 60% of clients of UNCDF-supported microfinance institutions are women. All UNCDF work is done via national systems (Paris Principles). For additional information please see: 2008 Annual Report.

Collaboration with other UN Agencies in support of NEPAD's framework

For the past two years nearly 100% of new programs have been Joint Programmes under the UNDG guidelines, both with UNDP or other parts of the UN system. UNCDF operates in ways that support larger UN and UNDP priorities, in areas such as:

Gender:

65 per cent of the clients of UNCDF supported microfinance institutions are women. Also, UNCDF recently began a joint programme with UNIFEM covering five African LDCs. The *Gender Equitable Local Development (GELD)* programme is designed to ensure that local investments are made in ways that empower women.

South-South Cooperation:

UNCDF's new \$26 million *MicroLead facility* is an excellent example that focuses on the private sector. MicroLead will help Southern-based Microfinance institutions move in other Southern countries, thereby "jump-starting" microfinance in underserved markets. The MicroLead programme seeks to provide loans and grants to leading Microfinance Institutions (MFIs) and Financial Service Providers (FSPs) on a competitive basis to facilitate their entry into LDCs, where access to finance is most challenging. Outreach to 525,000 currently unserved poor clients by the end of 2013, through a combination of grants and loans to at least 10 MFIs/FSPs.

Conflict and Post-Crisis Countries:

Fully 25% of UNCDF's project portfolio is in these countries. UNCDF's new MicroLead facility has a 'fast-disbursing' window specifically designed for post-conflict conditions. UNCDF piloted this window late last year in South Sudan. Seven of the nine MicroLead grants executed by year end 2009 are in Africa (4 in south Sudan, one each in Liberia, Sierra Leone, DRC). The total grant amount of these 7 grants is US\$13.6 million. These grantees will be working with a total of 430,000 new depositors and 470,000 new borrowers by the end of 2013. MicroLead expects to award additional grants in Africa in the first half of 2010 (in Ethiopia, Rwanda, and Tanzania).

UNCDF collaborates with other UN Agencies in support of NEPAD's framework also through:

Building Inclusive Financial Sectors in Africa (BIFSA) programme :

The second phase of this Joint Programme between UNCDF and UNDP seeks to increase the number and viability of microfinance institutions (MFIs) and other financial service

providers (FSPs) in Africa, increase the breadth and depth of financial products and services provided to poor and low income African households and micro and small enterprises, and improve policy, legal and regulatory frameworks and practices throughout the African continent.

Promoting Access to Remittances for Financial Inclusion programme :

UNCDF joined the Multi-Donor Financing Facility for Remittances (FFR) set up by IFAD, co-financed by the EU, CGAP, Luxembourg, IADB and AECID. The FFR's purpose is to scope out, select, and fund innovative approaches that facilitate access to remittance services by the poor. This is particularly true in Africa, where IFAD estimates that African Diaspora contribute about US\$40 billion in remittances to their families and communities back home every year, and where the cost of sending money to Africa remains relatively high and subject to wide variations.

Advocacy work in support of African development

The UNCDF business model is based on recognized expertise in both inclusive finance and local development. It is decentralized at the regional and country level and supported by a strong network of highly skilled consultants; deep knowledge of the LDCs, including their opportunities and constraints; and strong partnerships with UNDP and the wider community of UN actors and development partners. Within this context, UNCDF offers seed capital, technical support and advocacy.

At the national level, effective advocacy can improve enabling environments. At the regional and global levels, UNCDF advocates for inclusive finance and local development via local authorities, and the concerns of LDCs in general. Examples of UNCDF's advocacy work are:

Local Economic Development (LED)

UNCDF initiated and supported a technical consultation in Southern–Eastern Africa, essentially aiming at clarifying key aspects of the paradigm of linking local governments to Local Economic Development (LED). Over the last few years, UNCDF has supported assessments carried out in some countries (Uganda, Zambia and South Africa) providing definitions of LED, identifying new actors, policies and instruments, presenting a typology of LED initiatives, or defining institutional aspects of LED. A new generation of programmes focusing on LG & LED has also been formulated and launched (e.g. in the Mwanza Region, Tanzania) and innovative experiences are evolving within the context of some Local Governance support programmes (for instance, in Uganda and Mozambique).

Dakar Declaration on Building Inclusive Financial Sectors in Africa

As a follow-up of the Dakar Conference, 320 delegates from 53 countries agreed through the Dakar Declaration to set up a *Steering Committee* to ensure the dissemination and the

implementation of the Dakar recommendations and to maintain and develop the network of Governments, Central Banks, Financial Service Providers, development agencies and others, created through the Conference with the intention of mobilizing financial and technical resources required to build inclusive financial sectors in Africa. UNCDF supports the role of the DDSC to contribute to enhance sustainable access to financial services to poor and low – income households and micro and small entrepreneurs through the support to building financial sectors in Africa.