

**Sectoral Report for the Five-Year Mid-term Review of the
Brussels Programme of Action for the Least Developed Countries**



United Nations Capital Development Fund (UNCDF)

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I. Introduction

The United Nations Capital Development Fund (UNCDF) makes investments in the Least Developed Countries (LDCs). These investments are designed to help the LDCs reduce poverty and achieve the objectives of the Brussels Programme of Action for the LDCs and the Millennium Development Goals (MDGs).

The organization currently invests in 28¹ of the 50 LDCs and focuses its investments on Local Development and Microfinance. Its Local Development Programmes (LDPs) build the capacity of local governments and make investments in local communities to improve their access to social services and economic infrastructure. Its Microfinance investments provide enhanced access for households and enterprises to financial services and direct support for start-up and emerging microfinance institutions. UNCDF's investment capital is flexible, high-risk, and innovative, and its development approach seeks the long-term development of human, institutional, and financial capacity in the poorest countries.

This report begins with a short analysis of the close alignment of UNCDF's Practice Areas with the Brussels Programme of Action for the LDCs. In the next section, it provides an overview of UNCDF contributions to the Brussels Programme of Action for the 2001-2005 period covered by the Mid-term Review (MTR). The information for this section is based on UNCDF's Results-oriented Annual Reports for 2001-2005², supported by data from the UNCDF's Management Information System. Finally, the report provides a forward looking perspective of the investments that UNCDF plans to make during the 2006-2010 period to support LDCs in achieving the objectives of the Brussels Programme of Action, as well as the challenges that UNCDF currently faces of mobilizing the resources necessary to realize these investment plans.

II. UNCDF and the Brussels Programme of Action

UNCDF was originally founded in 1966 as an independent instrument of the United Nations with a special mission “... to assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of loans and grants ...”.³ Since 1973, UNCDF has focused its investments first and foremost on the Least Developed Countries. It thus is the only UN entity working “on the ground” exclusively in LDCs.

In view of its specific mandate with regards to the LDCs, UNCDF's current Business Plan is closely aligned with the seven Commitments of the Brussels Programme of Action, as set forth below:

Commitment 1: People-centered policy framework: UNCDF has strongly focused on creating an enabling environment at the local level to eradicate poverty and put local communities on a path of accelerated growth. UNCDF's interventions in the area of Local Development and Microfinance have empowered people living in poverty and improved their access to pro-poor infrastructure and social services, as well as financial services.

Commitment 2: Good governance at national and international levels: UNCDF has supported the achievement of good governance at national and international levels by focusing specifically on

¹ A complete list is available in the Annex.

² Available online at www.uncdf.org.

³ GA resolution 2186 (XXI) on the establishment of UNCDF, 13 December 1966

supporting LDCs to enhance democratic governance at local and national levels. UNCDF's Local Development Programmes integrate local and national planning, budgeting and administration systems and result in integrated fiscal transfers between local and national governmental authorities. The national decentralization programmes that UNCDF designs and supports contribute to good governance nationally and locally.

Commitment 3: Building human and institutional capacity: All of UNCDF investment activities are guided by the principle that “capital creates capacity” and “capital follows capacity”. Hence, UNCDF places a strong emphasis on investments in human and institutional capacity building at national and local levels to prepare for and support Local Development and Microfinance investments. These grant-based investments are a direct contribution to Commitment 3. Further, through its Local Development and Microfinance investments, UNCDF directly supports “social infrastructure and social service delivery,” as well as “social integration.”

Commitment 4: Building productive capacities to make globalization work for LDCs: UNCDF's investments at the local level enhance the access of households and enterprises to social services and infrastructure and to financial services. These investments also help to bring about local economic development. The UNCDF Local Development Funds help to construct physical infrastructure, support enterprise development, and advance rural development and food security, all at the local level in the LDCs.

Commitment 7: Mobilizing financial resources: UNCDF programmes in support of building inclusive financial sectors help to create appropriate legal and regulatory frameworks for expanding access in the LDCs to a broad range of financial services. These financial services are generally directed to poor and low-income people and to micro and small enterprises. In addition, UNCDF's Local Development Programmes and Local Development Funds mobilize resources from many development partners to support local government investments in small-scale infrastructure and access to social services. Moreover, these investments encourage and support local resource mobilization and improve the ability of local authorities to raise revenues from local taxation.

III. UNCDF Results in Support of the Brussels Programme of Action

The LDCs have continued to express strong and enthusiastic support for UNCDF over the period covered by this report. At the January 2006 Executive Board meeting of UNCDF, several of representatives from the LDCs spoke of their experiences with UNCDF in their countries. They uniformly recognized and commended the unique contribution that UNCDF makes toward reducing poverty and achieving the objectives of the Brussels Programme of Action in their countries. In a March 2006 letter to current and prospective development partners, the Chairman of the LDCs Coordination Bureau called UNCDF “one of our most important development partners.” This section looks in more detail at the concrete contributions of UNCDF “on the ground” in the LDCs.

A. Contribution from the Local Development Practice Area

The UNCDF Local Development Practice Area is concerned with building local capacity for, and making local investments in, small-scale socio-economic infrastructure and social services. This institutional development concerns all interventions that build human and institutional capacity for local governments to perform their developmental role and, ultimately, deliver capital investment for pro-poor infrastructure and services. UNCDF works particularly in the poorer

rural areas in LDCs, where the poverty reduction and governance challenges are typically the greatest. Its effectiveness derives from its small-scale, grant-funded capital investment mandate, its strong technical expertise, and a proven approach – its signature Local Development Programme (LDP). Demand for pro-poor services and infrastructure is expressed through participatory planning systems that seek to ensure a voice for women and other disadvantaged groups in the decision-making and investment process.

The LDP approach is designed to generate models that can be scaled up for much wider application, through replication and scaling up, to reach large numbers of the poor in the LDCs. To that end, the programmes work within the national system of central-local government institutional and fiscal relations. Working in partnership with national and local authorities, the LDPs operationalize principles of good local governance and public expenditure management. They also mobilize the contributions of local communities, international development agencies, the local private sector and civil society in order to promote more effective local investment in infrastructure and service delivery. UNCDF leverages lessons from the policy-pilots to influence national policy decisions on decentralized investment in infrastructure and service delivery, which then impact nationally on the public administration system. UNCDF also seeks to promote broader replication of the approach by governments and other donors in other regions of the LDC, or indeed nationwide. Some examples of successes in terms of policy impact and replication are mentioned in Box 1.

In 2005, UNCDF had Local Development Programmes in 23 LDCs. Regular monitoring and independent evaluations have shown that these LDPs are quite effective in the delivery of participatory planning and investment mechanisms. Project teams reported increased dynamism among local populations participating actively in the local planning process. As the timely delivery of annual investment plans is a crucial performance prerequisite to accessing funding, new planning approaches are institutionalized in a relatively short time. Areas with scope of improvement remain, such as the quality of plans, their consistency with sectoral and higher-level planning (such as regional, provincial, and poverty-reduction strategies), and the cost-effectiveness of the local planning process. These concerns are increasingly being taken into account in the capacity building programmes for local authorities.

UNCDF's LDPs often put a strong emphasis on training of women in the area of need assessment, participatory planning approaches, and monitoring and financial management. For example, in Bangladesh, awareness campaigns of women's rights were held and 44% of the participants in the needs assessment and planning process were women. In 76% of LDPs overall, women's groups and associations were supported with funds for the implementation of small-scale projects, especially for projects focusing on income-generating activities.

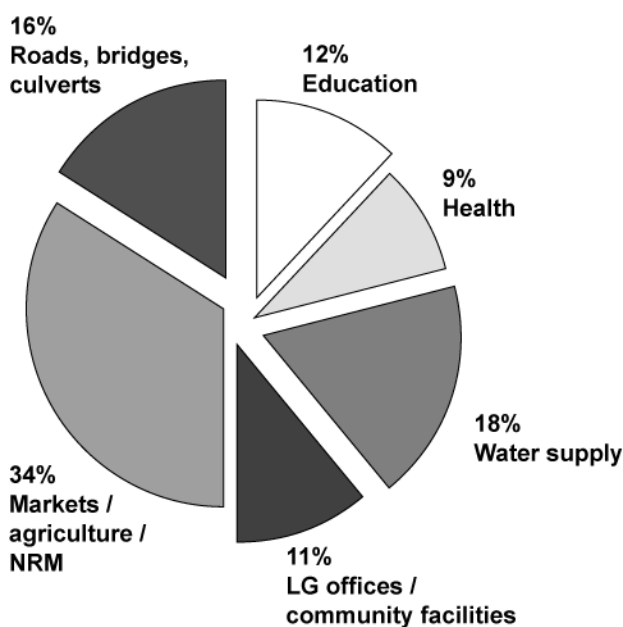
Capital investment in basic socio-economic infrastructure and access to social services is the expected result of the new "capacity to perform" of local government systems. Table 1 gives an indication of the efficiency of the local government systems to deliver capital investment through LDPs over the first five years of the Brussels Programme of Action (2001-2005).

Table 1: Capital investments with sectoral distribution and budget share, 2001-2005

Type of investment	Number Projects	Share of projects (%)	Investment in US\$	Average unit cost in US\$	Share of investments (%)
Education	1,352	12%	\$7,740,996	\$5,725	25%
Health	963	9%	4,226,131	4,388	13%
Water supply	1,966	18%	4,770,720	2,426	15%
LG offices / community facilities	1,198	11%	4,312,650	3,599	13%
Markets / agriculture / NRM	3,894	34%	5,995,105	1,539	20%
Roads, bridges, culverts	1,805	16%	4,436,721	1,458	14%
Total	11,178	100%	\$31,482,323	\$ 2,816	100%

As Table 1 indicates, from 2001 to 2005 the greatest share of investment (34%) was in markets and agriculture, while 18% was in providing dependable sources of potable water. Education drew 12% of investments while 16% went into rural infrastructure such as roads, bridges and culverts. About half of all investments resources were dedicated to enhancing access to social services. Slightly more than half of UNCDF investments were used for economic capital formation, such as markets, natural resource management and agriculture. These investments contribute directly towards achieving the objectives of the Brussels Programme of Action and the MDGs at the local level. Figure 1 provides a clear picture on sectoral priorities.

Figure 1: Sectoral concentrations of UNCDF Local Development Investments



Regarding direct beneficiaries, during the period 2001-2005, nearly 500 UNCDF-supported local governments were able to deliver more than 11,000 small-scale investments at an average cost of \$2,816 per investment. The geographic distribution of interventions is presented in Table 2.

Table 2: Beneficiaries of UNCDF Local Development investments: 2001-2005

	Number Countries	LGs supported	Average LGs per country	Number projects
West Africa	7	269	38	4,696
Eastern/Southern Africa	7	74	10	670
Asia	6	112	18	5,589
Others	3	38	12	223
Total	23	493	21	11,178

The significant variation in terms of average number of local governments supported, in particular between East and West Africa is explained by the differences in institutional environments and progress with regard to decentralization processes. Other factors such as population density and type of UNCDF investments contribute to the regional differences in terms of number of projects, even though the amount invested per capita is roughly the same.

Performance in terms of leveraging UNCDF pilot models for policy impact and replication has been positive. In terms of replication, UNCDF has had notable successes in, among others, Senegal, Mozambique, Bangladesh and Yemen. A recent OECD-DAC comparative review of 19 multilateral and bilateral decentralization and local governance support programmes identified UNCDF LDPs as “the only example whereby a programme was successfully institutionalized and replicated nationwide.”⁴ The main constraints to replication and scaling up have been related to long gestation periods for government amendments to policy and regulatory frameworks.

⁴ OECD/DAC (2004) *Lessons learned on donor support to decentralization and local governance*, pp 25 and 52; <http://www.oecd.org/dataoecd/46/60/30395116.pdf>.

Box 1: Highlights of recent UNCDF results in the Local Development Practice Area

- An independent impact study showed that during a six-year period (2000-2006) the Local Development Programme in Timbuktu supported the design and implementation of 419 small-scale investments in socio-economic infrastructure in 21 local governments. The bulk of investments were in agriculture, water, livestock, health and education. The investments averaged US\$ 8,750 and benefited a total population of about 250,000 people. The study provides details on the direct impact of these projects at the local level.
- In Mozambique, the UNDP Evaluation Report on “Assessment of Development Results” (ADR) highlighted how the UNCDF-led consortium of 5 donors (UNDP, UNCDF, Norway, Netherlands, SDC) tested a model for local governance that was scaled up, replicated and adopted by government as official policy. The evaluation identified this as a “flagship programme” within UNDP’s country portfolio.
- In Yemen, UNCDF is supporting the development of a national decentralization strategy within the Ministry of Local Authorities, with all donors pooling their resources into a common basket fund under a single policy framework. Again, in UNDP’s ADR for Yemen, this joint UNDP/UNCDF programme was singled out for its success.
- Due to the success of UNCDF’s Sirajganj project, the Government of Bangladesh has decided to launch a national Local Government Support Programme to roll out the Local Development Programme innovations to all Union Parishads in the country. The Government’s focus is on using UNCDF’s proven methodology to improve public expenditure management and accountability. The US\$ 165 million Programme will be supported by the Government of Bangladesh (US\$ 50 million), by the World Bank (US\$ 100 million), by UNCDF (US\$ 2.5 million), UNDP (US\$ 2 million), and with co-funding by the European Commission (US\$ 10.5 million).
- UNCDF’s Local Development Practice Area published “Delivering the Goods: A Practitioner’s Guide from UNCDF Experience in LDCs” (www.uncdf.org/delivering). This book sets forth UNCDF’s experience and lessons in building local government capacity to contribute to the commitments of the Brussels Programme of Action and to achieve the MDGs.

B. Contribution from the Microfinance Practice Area

UNCDF has identified microfinance as an effective means of contributing on a sustainable basis to poverty reduction and the achievement of the Commitments of the Brussels Programme of Action and the MDGs. In 2005, in accordance with the new UNCDF approach to microfinance as set forth in the Business Plan adopted in June 2005, UNCDF strengthened its focus on building inclusive financial sectors as its main area of emphasis in the Microfinance Practice Area. UNCDF’s sector development approach builds the capacity of national policy makers to develop national strategies for inclusive financial sectors. A constraints based approach to policy issues builds the capacity of policy makers to identify constraints to an inclusive financial sector and to then remove the most important ones.

"The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. The International Year of Microcredit offers a pivotal opportunity for the international community to engage in a shared commitment to meet this challenge. Together, we can and must build inclusive financial sectors that help people improve their lives."

Kofi Annan
UN Secretary General

In 2005, UNCDF approved two new inclusive finance programmes, bringing the total number of countries applying its new sector development approach to six, plus one regional support programme for Africa. All the countries are LDCs in Sub-Saharan Africa. Other countries in both Africa and Asia have requested UNCDF assistance in 2006 in building inclusive financial sectors.

Initial indications of the results of the sector development approach to financial inclusion are very encouraging. Most of the countries assisted have made some immediate improvements in their enabling environment, a result achieved through training and capacity building of regulatory and supervisory authorities. Over two-thirds have developed joint government and donor strategies. This percentage will increase as more countries complete their consultative process. In six countries the implementation of the action plans has commenced.

The first country to start implementation was Sierra Leone. In late 2004, together with KfW (Germany), Cordaid (Netherlands) and UNDP, UNCDF launched a US\$10.3 million programme to build an inclusive financial sector in Sierra Leone. As part of this programme, investments were made in a variety of financial service providers (FSPs). The FSPs supported by the programme have already increased their number of active clients from 13,000 to 37,325. This surpasses the programme target of 20,000 for 2005 by 87%.

As part of this financial sector development approach, UNCDF has supported the design of national inclusive finance strategies in Madagascar, Senegal, and Democratic Republic of Congo. The process gathered key stakeholders, including Government (Prime Minister, Minister of Finance), Parliament, FSPs, Central Bank, donors, and technical service providers in a focused dialogue on financial sector constraints, challenges and opportunities and vision going forward. UNCDF facilitated the development of action plans and the design of national support programmes in the three countries, initially co-funded by UNDP and UNCDF, with an invitation to other partners to join.

Looking at the overall results of the Microfinance Practice Area during the 2001 – 2005 period, these results were produced through a combination of institutional investments by UNCDF and its partners in leading financial service providers in West Africa and the initial results of the sector development approach for inclusive finance in Sierra Leone.

In terms of outreach, by the end of 2005 438,272 people were receiving microfinance services from FSPs, which include commercial banks, non-bank financial institutions, credit unions, microfinance institutions, community banks, and a variety of other financial services providers supported by UNCDF. This combined clientele of UNCDF-supported financial intermediaries included 199,352 female clients. Overall, FSPs in which UNCDF invested added 59,254 clients in 2005. Female clients comprised 45 per cent of these new customers. The average loan size for

these institutions was 55 per cent of GDP per capita in 2005. The first sector programme in Sierra Leone added 15,363 clients in its first year, 76 per cent of the total clients being female. The average loan size in Sierra Leone is 14 per cent of GDP per capita, reaching poorer people than the average among microfinance institutions around the world.

In terms of sustainability, more than 50% of the microfinance institutions UNCDF is supporting were meeting the international standard of strong portfolio quality (portfolio at risk at 30 days of less than 5%) in 2005. This level of performance is appropriate for institutions at this stage in their development cycle and is primarily due to (i) high standards set by UNCDF in its performance agreements and (ii) the challenge young FSPs face in building systems to maintain portfolio quality as they grow rapidly. UNCDF monitors portfolio performance closely and focuses significant capacity building around this issue. Of the institutions with which UNCDF is working, 16% have achieved profitability. These are older institutional investments in West Africa, confirming that UNCDF is taking risk and investing in younger, unproven institutions. The fact that 89% of the FSPs in which UNCDF has invested demonstrate a positive trend toward sustainability is promising. This is a strong indication of the future sustainability of these institutions.

In 2005, a very high percentage of countries supported by UNCDF reported that they were also investing in financial services industry infrastructure, primarily FSP associations and networks. This reflects the recognition of FSPs of the importance of collaboration and investment in infrastructure to establish good practice in countries new to microfinance. The low percentage (63%) of FSPs with industry standard audits or ratings similarly reflects the niche where UNCDF is working. UNCDF's investments in inclusive financial sectors consist exclusively of countries at the start-up or emerging phase of financial sector development, including post-conflict countries. For example, in Sierra Leone, the first audit of an FSP according to CGAP recognized audit standards took place in 2005. This provided a learning experience both for the auditors and for the FSPs in Sierra Leone. Future audits for the whole sector will be based on this newly established standard.

International Year of Microcredit

In 1998, the General Assembly of the United Nations designated 2005 as the International Year of Microcredit. UNCDF and the United Nations Department of Economic and Social Affairs (UNDESA) were invited to jointly coordinate the activities of the United Nations system during the preparations for and the observance of the Year. The Year was established to assess and promote the contributions of microcredit and microfinance to the MDGs; to increase public awareness and understanding of microcredit and microfinance; to support sustainable access to financial services; and to encourage and establish innovation and partnerships among the many institutions participating in microfinance activities.

The International Year of Microcredit was a resounding success. It significantly raised public awareness around the world regarding microcredit and microfinance. More than 100 countries participated in activities associated with the Year and more than 60 National Committees were established to promote microfinance and broader access to financial services for the poor. In addition, there were more than 350 conferences and events during the Year and more than 100 academic institutions hosted seminars, conducted research, or were otherwise involved in the activities of the Year. On 7-9 November, 2005, the Year culminated in a Forum at the United Nations in New York in which more than 700 people attended a highly focused series of discussions on microfinance and issues related to expanding financial services to more poor and low-income people and to more micro and small enterprises.

Two major substantive initiatives began during the Year. First, UNCDF, in partnership with the Financing for Development Office of UNDESA, led an innovative consultation process to identify key constraints and opportunities for the promotion of inclusive financial sectors. The result of this year-long initiative is Building Inclusive Financial Sectors for Development, also known as “The Blue Book.” The “Blue Book” was released on 17 January 2006. It addresses the challenges to building inclusive financial sectors and provides a compelling analysis of why so many people do not yet have access to sustainable financial services. The publication, available at www.uncdf.org/bluebook, provides an invaluable tool and guide for policy makers in developing countries who seek to build inclusive financial sectors. It is also a reference point for governments to collectively discuss strategies, share best practices and improve processes.

A second initiative was the “Data Project.” This project, which included various United Nations agencies, the World Bank, the International Monetary Fund (IMF) and the UK Department for International Development (DFID), among other institutions, aimed to understand what type of access poor and low-income people have to financial services. The working group sought to address current gaps in available data regarding who has access to financial services in developing countries, who provides those services and at what cost. Extensive work began over the last year to develop suitable indicators on access and techniques for gathering the necessary data. The World Bank, DFID and FinMark Trust of South Africa are currently working towards common approaches in survey work for financial access to the poor, particularly in Africa.

The International Year of Microcredit, the Blue Book, and the Data Project have direct and immediate applicability and impact in the LDCs and are fully aligned with the Commitments of the Brussels Programme of Action. The challenges associated with financial exclusion and weak financial sectors are particularly acute in the LDCs, and each of these initiatives by UNCDF was designed and implemented to create more inclusive financial sectors in the LDCs.

IV. Looking Forward

UNCDF Business Plan: Investing in the LDCs

In 2005, UNCDF's Executive Board approved a growth-oriented Business Plan that would substantially increase the contribution that UNCDF would make in the 2006 – 2010 period to the achievement of the objectives of the BPOA.

The Business Plan provides that all LDCs that meet basic investment criteria will be able to benefit from UNCDF expertise and investment. By 2010, UNCDF will have expanded its support for LDPs to 40 LDCs, and for building inclusive financial sectors to at least 25 LDCs, significantly expanding its support to achieving the commitments of the Brussels Programme of Action for the LDCs. Through programmes carried out by UNCDF with its partners, an estimated 17 million additional women and men will be provided with access to basic socio-economic and/or financial services; many more will benefit indirectly through scaling up and replication.

Growth and expansion plan 2006 - 2010: Local Development

Using the LDP approach above, UNCDF will increase its services for local development to the LDCs and its contribution to achieving the objectives of the Brussels Programme of Action by:

- (a) Increasing coverage from the current 23 to at least 40 LDCs;
- (b) Increasing average investment in LDPs to at least \$5 million per project to ensure scalable models and achieve greater local impact in pilot areas;
- (c) Maximizing the leverage of UNCDF models for scaling-up and replication, wherein lies the potential for large-scale impact from UNCDF support toward the achievement of the Brussels Programme of Action and the MDGs;
- (d) Strengthening partnerships with major multilateral and bilateral organizations for business development, cost sharing, knowledge sharing and in pursuit of United Nations harmonization, efficiency and effectiveness gains; and
- (e) Leveraging increased partner financing at local, national and international levels from a variety of development partners.

During the coming years, UNCDF also expects to expand its Local Development Practice Area into Local Economic Development (LED). This will involve working closely with the local authorities with whom UNCDF has established Local Development Programmes and extending the activities of these authorities into a broader range of economic initiatives. These could include enterprise creation, business development services, better enabling environments for entrepreneurship and other methods of encouraging private sector activity. Many local authorities have expressed interest in this extension of UNCDF's technical expertise and investment capability, and pilot programmes are already under formulation in Tanzania, Uganda and Zambia.

Growth and expansion plan 2006 – 2010: Microfinance

During the period 2006-2010, UNCDF expects to have a direct impact on increasing access to sustainable financial services for about five million poor and low-income people and to many micro and small enterprises. It is expected that at least half of the people who will open new savings accounts and take out new loans will be women. UNCDF will contribute to poverty reduction, economic growth, and income generation in the LDCs by helping them to build inclusive financial sectors for development. Increasing access to financial services in this way is

critical to achieving the objectives of the Brussels Programme of Action and the MDGs. UNCDF will accomplish this by:

- (a) Expanding its support to at least 25 LDCs to develop the regulatory and enabling environments, financial institutions and financial infrastructure that are required to provide a broad range of financial services to the majority of poor and low-income households, and micro and small businesses on a sustainable basis. Women will be particularly targeted as beneficiaries of these activities;
- (b) Focusing its investments and activities on supporting the development of microfinance institutions and other financial service providers at the start-up or emerging phase;
- (c) Tailoring each intervention to meet the specific needs of the LDC involved and its unique level of financial sector development. UNCDF will identify constraints for retail providers of microfinance (micro level), gaps in the supporting infrastructure (meso level) or policy, legal and regulatory obstacles (macro level) blocking access to financial services;
- (d) Partnering with UNDP and other development partners to support governments, central banks, donors and other key stakeholders in the LDCs to establish national strategies, policies and interventions to develop an inclusive financial sector;
- (e) Providing capacity-building and capital support to develop sustainable national coverage by microfinance institutions and other FSPs, while leveraging other sources of funds, including commercial and private capital. UNCDF will provide capacity-building and investment support to at least 50 MFIs that will have an active client base of more than 5 million clients by 2010; and
- (f) Leveraging increased partner financing from a variety of local, national, and international development partners.

As part of its product offering, UNCDF will continue to focus strongly on research and knowledge sharing. In that context, in June 2006 UNCDF and the UN Development Programme (UNDP) will jointly host a major UN Conference on Financial Inclusion in Africa in Dakar, Senegal. The Conference is a special event organized to coincide with the Mid-Term Review of the BPOA. The Conference will address the challenges and constraints to building inclusive financial sectors in Africa and will assist policy makers and other stakeholders in their efforts to assure that poor and low income people and micro and small enterprises in Africa have access to a broad range of financial products and services. The Conference will build upon recent experiences at the national level in Africa and will utilize the framework and recommendations contained in the “Bluebook”⁵. In addition, the Conference will follow-up several of the initiatives and conclusions of the International Year of Microcredit.

Further, UNCDF will continue to serve as policy advisor to UNDP for microfinance, representing UNDP in CGAP and providing policy support to the Office of the Administrator.

Key Challenge: Financing Growth and Expansion

Despite the strong support expressed by representatives from donor countries and the LDCs, as well as the positive 2004 Independent Impact Assessment of UNCDF’s programmes, UNCDF has not received during recent years the level of financial support required to meet the demands of LDCs for its investments. As a result, UNCDF has identified resource mobilization as its greatest challenge and constraint, and has begun an intensive effort to broaden and deepen its donor base among Member States, development partners, and at the local level.

⁵ Available online at <http://bluebook.uncdf.org>

UNCDF has identified specific programmatic investments amounting to approximately \$36 million in 2006 and \$50 million in 2007. Annex 1 sets forth a detailed investment plan for these expenditures. Planned investments are set forth by Practice Area, with Local Development Programmes projected for 40 LDCs, and Microfinance investments projected for 25. The plan is based on the requirements of UNCDF's existing programmes and on the needs of programmes that have already been identified. Of these LDCs, about 50% are Post-Conflict and more than 50% are Landlocked or Small Island countries. As a percentage of total programme investments, 69% would be in Africa, 22% in Asia, 7% in the Arab States and the remaining 2% in Haiti. All investments include earmarked and non-earmarked funds.

Discussion at the Executive Board in January made clear that the donor base for UNCDF must be expanded and that existing donors and other countries in a position to do so should be encouraged to increase their financial support. While key donors remain enthusiastic, several also have expressed the view that the financial burden of supporting UNCDF must be shared among the Member States more equitably. This is particularly true with respect to non-earmarked funds, which are not designated for particular projects or purposes. Non-earmarked funds provide the organization with the greatest programmatic and administrative flexibility, and enhance the ability to plan and to attract earmarked funds.

V. Conclusion

UNCDF's investments have produced excellent results in the LDCs during the five-year period under evaluation for the Mid-term Review of the Brussels Programme of Action. UNCDF has made a significant contribution to achieving the Commitments of the Brussels Programme in the LDCs through its Local Development and Microfinance investments. This contribution is unique because UNCDF is the only organization that makes investments of this type in the LDCs.

UNCDF looks forward to expanding the number of LDCs in which it works during the next five-year period of implementation of the Brussels Programme. UNCDF also looks forward to broadening, deepening, and expanding its investment activities in each of the LDCs in which it works. For UNCDF to succeed in this endeavor, however, it must have sufficient financial resources to implement its investment plans properly. Accordingly, resource mobilization remains the greatest challenge for UNCDF, a challenge that UNCDF must meet if it is to contribute in a meaningful way to achieving the Commitments of the Brussels Programme over the next five years.

Annex 1: Investment Plan 2006/07

AFRICA	2006 (US\$)	2007 (US\$)
Angola	333,000	798,000
Benin	830,000	1,700,000
Burkina Faso	1,187,033	2,222,967
Burundi	500,000	750,000
Central African Republic	367,000	501,000
Chad	366,000	498,000
Comoros	50,000	350,000
DRC	1,200,000	1,500,000
Eritrea	650,000	400,000
Ethiopia	400,000	400,000
Gambia	40,000	830,000
Guinea	1,100,000	1,130,000
Guinea Bissau	375,000	972,500
Lesotho	150,000	300,000
Liberia	750,000	1,732,000
Madagascar	655,000	1,030,000
Malawi	500,000	1,300,000
Mali	1,500,000	1,500,000
Mauritania	640,000	800,000
Mozambique	3,050,000	3,900,000
Niger	630,000	1,000,000
Rwanda	1,100,000	1,100,000
Senegal	2,125,000	1,800,000
Sierra Leone	696,000	956,491
Togo	861,910	600,909
Uganda	550,000	450,000
Tanzania	400,000	1,550,000
Zambia	250,000	650,000
BCEAO	250,000	200,000
TOTAL AFRICA (28 LDCs)	21,505,943	30,921,867

ASIA	2006 (US\$)	2007 (US\$)
Afghanistan	150,000	700,000
Bangladesh	1,800,000	2,500,000
Bhutan	650,000	700,000
Cambodia	45,000	250,000
Kiribati	-	150,000
Lao PDR	450,000	1,700,000
Maldives	350,000	950,000
Nepal	2,145,000	2,500,000
Samoa	-	150,000
Solomon Islands	400,000	500,000
Timor-Leste	670,000	830,000
Tuvalu	-	150,000
Vanuatu	-	150,000
TOTAL ASIA (13 LDCs)	6,660,000	11,230,000

ARAB STATES	2006 (US\$)	2007 (US\$)
Somalia	245,000	800,000
Sudan	635,000	1,450,000
Yemen	1,500,000	800,000
TOTAL ARAB STATES (3 LDCs)	2,380,000	3,050,000

LATIN AMERICA AND CARIBBEAN	2006 (US\$)	2007 (US\$)
Haiti	1,000,000	1,000,000
Total LAC (1 LDC)	1,000,000	1,000,000

	2006 (US\$)	2007 (US\$)
Regional investment support	4,255,623	3,488,091

UNCDF INVESTMENTS	2006 (US\$)	2007 (US\$)
TOTAL FOR ALL REGIONS (45 LDCs)	35,801,566	49,689,958

