



The UN CAPITAL DEVELOPMENT FUND

Creating New Opportunities for the World's Poorest Countries

About how UNCDF is working in Financial Inclusion

Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. The range of financial services includes savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances. Sound institutions are guided by internal management systems, industry performance standards, and prudential regulation as appropriate, and may be private or public, and of institutional types ranging from commercial banks to microfinance institutions, from cooperatives to non-bank financial institutions, and more. Sustainable institutions refer to their ability to provide ongoing access to financial services and to invest in new products and new markets over time.

90% of people lack access to formal financial services in the Least Developed Countries. UNCDF works to ensure that more households and small businesses gain access to credit, savings, insurance and other financial services that expand opportunities. UNCDF's ability to provide risk capital directly to the private sector (unique in the UN system) helps bring microfinance to underserved markets and spur new innovations (e.g. mobile phone banking). UNCDF ranked second in the 2009 "SmartAid Index" of overall effectiveness in microfinance.

UNCDF operates inclusive finance programmes in 25 LDCs in sub-Saharan Africa and Asia/Pacific through a sector-based approach and thematic initiatives.

Sector-based programmes

In its sector-based programming, UNCDF assesses the key opportunities and constraints at the macro- (policy), meso- (financial infrastructure) and micro- (retail) levels. Based on the assessment, it structures its programs around critical action that will help alleviate the constraints at those three levels, setting up solid foundations for inclusive financial sectors in those countries.

Additionally, UNCDF systematically encourages, in the spirit of the Paris Declaration on Aid effectiveness, coordination of donor funding to the microfinance sector through the establishment of Investment Committees with the view to harmonize funding decisions and performance reporting requirements from MFIs.

UNCDF has sector based programmes in 20 LDCs, 12 of which are in Africa, 7 in Asia/Pacific and 1 in the Arab States. Moreover it is implementing the “Building Inclusive Financial Sectors in Africa”, a regional Inclusive finance programme in Africa which has started its second phase in 2009.

Thematic Initiatives

UNCDF also works on the thematic front of inclusive finance, to support the development of innovative products and client-oriented initiatives.

MicroLead: Recognizing the importance of ‘market leaders’ to drive sector development, UNCDF launched MicroLead – a \$26 million programme supported by the Bill and Melinda Gates Foundation – for developing savings-led market leaders in LDCs. Based on proven business models, market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. MicroLead provides loans and grants to leading financial service providers (FSPs) on a competitive basis to facilitate their entry into LDCs, including in post-conflict contexts, where access to finance is most limited. The MicroLead program has provided support to some of the leading FSPs from the South to expand their operations through green-fielding or technical assistance provision to existing FSPs, with a focus on saving-based models. Outreach is projected to be over one million new depositors and 600,000 new borrowers by 2013, and UNCDF is seeking to scale up the programme globally.

YouthStart: UNCDF’s YouthStart programme – supported by the MasterCard Foundation – will increase the access of youth (defined as 12-24 years old) to appropriate, demand-driven financial products and services, particularly savings, in Sub-Saharan LDCs. The programme will also support linkages to build the skills of youth through mentoring, financial literacy and entrepreneurial training. After market research and product design, the initiative will build the capacity of up to twelve FSPs to develop products and partner with youth-serving organizations (YSOs) to holistically develop youth’s financial and productive capacities. Through its knowledge management activities, YouthStart will share lessons learned with governments, donors, technical assistance providers and other stakeholders to advance and maximize the learning related to youth financial services.

Mobile Money: UNCDF – with the support of EU/ACP, AusAID, and UNDP – has successfully led a programme that has brought banks and mobile network operators (MNOs) together to provide financial services to underserved markets in the Pacific Islands. The initiative includes intensive client-focused market research; policy and advocacy work to build understanding and support appropriate policies, regulation and supervision; and performance-based grants and technical assistance for FSPs to share the risk of introducing new products and technologies to the market. Based on its success in reaching 200,000 clients in the first few months, UNCDF is looking to expand this programme in other LDCs.

Micro-Insurance: Through a joint programme with the International Labour Organization (ILO), UNCDF is supporting a sector-based approach for the promotion of micro-insurance services, building on the ILO's specialized expertise in micro-insurance and UNCDF's long experience in building inclusive financial sectors. This approach to micro-insurance starts with an in-depth country diagnostic on the demand, supply and regulatory framework, leading to the development with key national stakeholders of a country-specific action plan for micro-insurance. Pilots are underway in Ethiopia, Zambia, and Kenya. The joint programme is also designing a set of normative tools to support the sector-based approach.

Remittances: Through its participation in the IFAD-managed \$18 million multi-donor Funding Facility for Remittances (FFR), UNCDF is promoting access for the poor to remittance services. Key objectives of the FFR include lowering costs to senders and recipients through institutional and technological innovations, increasing access to remittance services in remote areas, as well as linking remittances to other financial services, especially savings, which result in widening options for recipients. Twenty five pilots are currently being implemented and in Africa, including in Senegal, Sierra Leone, Ethiopia and Uganda. New pilots are being approved in being DRC, Malawi and Madagascar. The project has also analyzed and disseminated data on the key African remittances corridors and the policy issues that must be addressed to create a more conducive environment for remittances.

Microfinance Clean Energy (in development): Based on learning from other successful initiatives (such as at Xac Bank on clean energy products and MEC on carbon markets), UNCDF is preparing an initiative to work with qualified financial services providers to take clean energy products to scale in conjunction with social enterprises which could link them to carbon markets in LDCs in Africa and Asia.

Expansion of Village Savings and Loan Associations (in development): Based on successes of the Village Savings and Loan Association (VSLA) methodology around the world, UNCDF is looking to launch a global programme that would complement its existing efforts in the LDCs, at low cost and at scale..

Client Protection (*ongoing engagement*): As the first funder to endorse the Smart Campaign for client protection in microfinance, UNCDF seeks to encourage partners to adopt and implement the client principles and promote a strong global pro-client industry.

United Nations Secretary-General's Special Advocate for Inclusive Finance for Development: In September 2009, UN Secretary-General Ban Ki-moon designated HRH Princess Máxima of the Netherlands to the newly created role of Special Advocate for Inclusive Finance for Development (UNSGSA). As UNSGSA, HRH Princess Máxima advocates for greater financial inclusion among policymakers and regulators and raises awareness of the issues and opportunities among financial service providers and other potential collaborators, including the public at large. The themes which form the core of her advocacy work include access to a range of financial services, starting with savings; a continuum of inclusion, from individuals to SMEs; responsible finance, with protected clients empowered to make sound choices; the mutually reinforcing relationship between financial integrity and financial inclusion; and the importance of data for decision-making. UNCDF houses the UNSGSA's office and coordinates the wider UNSGSA reference group.

The Least Developed Countries and UNCDF Inclusive Finance Programmes

| | | | |
|---|--------------------------------------|----|--------------------------------|
| 1 | Afghanistan # | 26 | Madagascar ★ |
| 2 | Angola | 27 | Malawi # ★★ |
| 3 | Bangladesh | 28 | Maldives * |
| 4 | Benin | 29 | Mali # ★ |
| 5 | Bhutan # ★ | 30 | Mauritania |
| 6 | Burkina Faso # ★★ | 31 | Mozambique ★ |
| 7 | Burundi # | 32 | Myanmar |
| 8 | Cambodia | 33 | Nepal # |
| 9 | Cape Verde *** | 34 | Niger # ★ |
| 10 | Central African Republic # ★ | 35 | Rwanda # ★★ |
| 11 | Chad # ★ | 36 | Samoa * ★ |
| 12 | Comoros * ★ | 37 | São Tomé and Príncipe * |
| 13 | Democratic Republic of the Congo ★★ | 38 | Senegal ★★ |
| 14 | Djibouti | 39 | Sierra Leone ★★ |
| 15 | Equatorial Guinea | 40 | Solomon Islands * ★ |
| 16 | Eritrea | 41 | Somalia |
| 17 | Ethiopia # ★★ | 42 | Sudan ★★ |
| 18 | Gambia | 43 | Timor-Leste * ★★ |
| 19 | Guinea | 44 | Togo ★★ |
| 20 | Guinea-Bissau * | 45 | Tuvalu * ★ |
| 21 | Haiti * | 46 | Uganda # ★ |
| 22 | Kiribati * ★ | 47 | United Republic of Tanzania ★★ |
| 23 | Lao People's Democratic Republic # ★ | 48 | Vanuatu * ★ |
| 24 | Lesotho # ★ | 49 | Yemen |
| 25 | Libera ★★ | 50 | Zambia # ★ |
| # - Landlocked LDCs | | | |
| * - Small Island Developing States (SIDS) | | | |
| ★ Inclusive Finance Sector Programme | | | |
| ★ MicroLead | | | |
| ★ Mobile Money | | | |
| ★ YouthStart | | | |
| ★ Microinsurance | | | |

About UNCDF

UNCDF is the UN's capital investment agency for the world's 49 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital.

UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives.

UNCDF works to enlarge peoples' choices: it believes that poor people and communities should take decisions about their own development. Its programmes help to empower women – over 50% of the clients of UNCDF-supported microfinance institutions are women – and its expertise in microfinance and local development is shaping new responses to food insecurity, climate change and other challenges. All UNCDF support is provided via national systems, in accordance with the Paris principles. 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 catalyze larger investment flows from 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.

For more information please visit www.uncdf.org