Proposal # 50281
Project # 60251

UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF) & INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) JOINT PROGRAMME

UNCDF

IFAD

PROMOTING ACCESS TO REMITTANCES FOR FINANCIAL INCLUSION

Executive Summary

UNCDF will join, through the present Joint Programme with IFAD, the Multi-Donor Financing Facility for Remittances (FFR) set up by IFAD, which is co-financed by the European Union, the Consultative Group to Assist the Poor (CGAP), the Government of Luxembourg, the Inter-American Development Bank and the Spanish International Cooperation. The FFR's purpose is to scope out, select, and fund innovative approaches that facilitate access to remittance services by the poor. UNCDF's partnership with IFAD (who will be the Managing Agent in this Joint Programme, through the Pooled Funding Mechanism) reflects the promotion of the "Delivering as One" approach on the theme of financial inclusion as well as UNCDF's recognition of IFAD's comparative advantage in the donor community in this area. As a member of the FFR's Steering and Investment committees, UNCDF will, beyond its own contribution (to be used in LDCs only), participate to the selection process of all proposals. UNCDF's US$ 622,222 contribution will therefore be greatly leveraged by contributing to a funding, results framework and evaluation agenda of a US$ 13 million initiative. UNCDF will derive from this programme a strong learning agenda about the role that remittances may play in the promotion of inclusive financial sectors. In addition, this Joint Programme will contribute to UNCDF's agenda on the promotion of product diversification as highlighted in its Business Plan and will strengthen its strategic partnerships with other donors in this key emerging area.

Joint Programme Outcome(s)

1) Low-income Clients Receive Innovative Remittance Services from MFIs and other Financial Service Providers.
2) Strengthened Experience with Joint Programming promoting the "Delivering as One" approach and donor partnership.

Programme/project Duration
(Start/end dates):2 years (August 2008 / August 2010)

Fund Management Option: pooled

Total estimated programme budget: $ 622,222[1]
Out of which:

- UNCDF $ 622,222

Signature:
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Title: O.I.C
UN Organization: UNCDF
Date: 26 August 2008

Signature:
Name: Lennart Båge
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Date: 17.9.08

[1] Funding sources from Other Donors to the Multi-Donor Financing Facility for Remittances managed by IFAD: European Commission = EUR 4,000,000 / Inter-American Development Bank = US$2,000,000 / Government of Luxembourg = EUR 850,000 / Government of Spain = EUR 2,000,000 / CGAP = US$485,00 .

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ACRONYMS AND ABBREVIATIONS

CGAP	Consultative Group to Assist the Poor
DfID	Department for International Development (UK)
EC	European Commission
EU	European Union
FDI	Foreign Direct Investment
FFR	Financing Facility for Remittances
FIPA	Financial Inclusion Practice Area
FSP	Financial Service Provider
GMS	General Management Service (Fee)
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
JP	Joint Programme
LDC	Least Developed Country
MA	Managing Agent
MDGs	Millennium Development Goals
MFI	Microfinance Institution
ODA	Official Development Assistance
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme

I. BACKGROUND AND ANALYSIS

What are Remittances?

Remittances are person-to-person money transfers. Remittances can be defined in various ways. A widely used definition from the IMF is "international transfer of funds sent by migrant workers from the country where they are working to people (typically family members) in the country from which they came."

Role and Impact of Remittances on the Global Economy

Remittances help alleviate poverty in developing countries, including LDCs. While the amounts are often small, remittances put money directly into the hands of the poor. In addition, evidence from the field has shown that impact of remittance services is dramatically enhanced when they are linked to other financial services such as savings, insurance, and loans. Such linkage enables recipients to expand their options when receiving remittances, to incrementally build financial assets, borrow money or pay for insurance premiums. Promoting innovative partnerships between microfinance institutions (MFIs) and remittance operators can provide significant benefits in terms of increased access at lower costs. When integrated in the menu of services offered by financial service providers, whether they are commercial banks, post banks, financial cooperatives of MFIs, remittances contribute to product diversification and can be a powerful engine for the promotion of inclusive financial sectors.

It is increasingly recognized that workers' remittances constitute an invaluable resource for development and poverty reduction. The total value of remittances has been increasing steadily over the past decade and the estimates indicate that in 2006 the total value worldwide to developing countries was over US$300 billion, involving some 200 million migrants.[2] At least US$100 billion of remittances are received by rural areas in developing countries. Unrecorded flows through informal channels are estimated to conservatively add 25% to 50% or more of the estimated flows. For some individual recipient countries, remittances can be as high as a third of GDP. Remittances also now account for about a third of total global external finance. Growing at this pace, they have become the second largest capital inflow to developing countries behind foreign direct investment (FDI) and ahead of official development assistance (ODA). Remittances have also proved to be a more stable flow than private capital flows. The latter tend to be pro-cyclical whereas remittances are less affected by economic downturn; on the contrary, they are known to rise during periods of crisis. With the projected continued growth in migration, remittances are expected to further grow at the same or even an accelerated pace.

As a share of GDP, remittances are significantly higher in lower-income countries than in other developing countries. In LDCs like Cape Verde and Kiribati, remittances account for 34.2% and 20% of GDP respectively. For Lesotho and Timor Leste the figures are 24.1% and 17.1% respectively. Top destination areas from which remittances are sent include North America (United States), Western Europe (Germany, Belgium, Switzerland, France and Italy) and the Arabian Gulf (Saudi Arabia).[3] Recent research also shows that contrary to conventional belief that migration is largely South-North and remittance flows North-South, South-South migration is estimated to be over half of global migration and South-South remittances account for 30-45% of the remittance flows in the South.[4] Actual remittance flows for Africa are much higher than statistics suggest, as they are heavily under-reported; less than two-thirds of African countries report remittance data. The documented benefits of remittances would be even greater if the substantial unrecorded flows were estimated and taken into account.

At the national level, remittances also have a substantial effect on the balance of payments and on foreign exchange revenues. At the micro level, remittances are a major source of support for households' livelihoods. In addition to contributing to consumption in the short term (by paying for food, clothes, healthcare, etc.), remittances can foster longer-term development through investment in education, land, and small businesses. Considering how remittance services can improve livelihoods by enabling the poor to access basic social services and expand their economic prospects, the proposed initiative will provide a tangible contribution to the achievement of the Millennium Development Goals (MDGs).

[2] IFAD 2007
[3] World Bank, 2003
[4] Chowdhury, 2006

Current Shortfalls of Remittance Services

However, remittances can be expensive relative to the low incomes of migrant workers and to the rather small amounts sent (typically no more than a few hundred dollars or its equivalent at a time). The fees charged by remittance service providers are often as high as 10% to 15% for small transfers typically made by poor migrants, although these fees have started to drop where these is more competition among remittance service providers (i.e. along the US – Latin America corridor). These costs are unnecessarily high. Reducing remittance transfer costs would increase the disposable income of poor migrants, as well as the incentive to send more money home. Reducing costs would also encourage the use of formal remittance channels.[5] It may not be easy for migrants to access remittance services if they do not speak the local language or do not have the necessary documentation, while the relatively undeveloped financial infrastructure in some countries may make it difficult for recipients to collect the remittances.

Money transfers have been negatively affected by inadequate financial infrastructure – a structural weakness that affects not only the flow of remittances and their channels, but also the options for use and investment of the funds. Because financial services typically do not reach into the rural areas, many low-income earners lack access to formal transfer services. In some cases, the services are unreliable, particularly concerning the time taken for the funds to be transferred. In addition, some markets are uncompetitive or have regulatory barriers to the provision of remittance services (especially in relation to electronic banking).[6] Although many financial service providers (FSPs) have shown little interest in offering remittance services, for FSPs located at the receiving end of the 'remittance corridor', remittances offer great potential to add low-income communities to their customer base and diversify their resource-base. They need to be better aware of the market opportunities that have the prospect of making operations down-market a viable option.

Many challenges remain for increasing access to remittances, but governments in developing countries are becoming more aware of the critical role that remittances play for a significant part of their population and the impact of this income source on local consumption and investments. Micro and rural finance institutions, as well as commercial, cooperative and post banks, also see remittances as a promising service to attract new clients and increase their market share, especially as they develop ways to facilitate access and reduce transaction costs related to this service.

Rationale for UNCDF Participation in the Financing Facility for Remittances (FFR)

A brief assessment of donor initiatives in the area of remittances shows the following picture. Some donors, like the World Bank and DfID have become heavily involved in documenting data on global flows and assessing the impact of global legal/regulatory issues, such as the legislation on anti money-laundering and fighting against terrorism. Conversely, and although there has been a growing number of initiatives from a variety of private actors in the field, there has been little concerted donor efforts in promoting innovative approaches on remittances. One exception has been the multi-donor facility initiated by IFAD and IADB for Latin America in 2005, which has been expanded in 2007 to the rest of the world with the setting up of the Financing Facility for Remittances (FFR), with co-financing from EU, IADB, CGAP, Luxembourg and more recently Spain.

UNCDF's participation in the FFR will be a key contribution to FIPA's product diversification agenda. The multi-donor FFR is a flexible demand-driven funding instrument. Selection of proposals will be conducted through calls for proposals (two calls will be made in the first 2 years of the programme). Applications to the FFR will be open to a variety of institutions, from LDCs as well as OECD countries, and expects proposals to (i) harness the potential of remittances to improve poor people's livelihoods; (ii) address the variety of "gaps" resulting from pervasive market failures; and (iii) facilitate access of low-income people to appropriate, attractive money transfer and link them to other financial services. Although UNCDF funding will be used to support pilot initiatives in Least Developed Countries (LDC) only, UNCDF will participate to the selection and monitoring of all the pilot projects that will be funded under this Facility. This partnership with IFAD and the other donors will enhance UNCDF's own knowledge and learning agenda in the area of remittances. UNCDF will reflect the lessons learnt from this Facility in its own programming and operations in the field. The experience gained in remittances through this joint programme will therefore greatly strengthen UNCDF's own programmes in support to financial inclusion. Lessons learnt from this Joint Programme will also be shared with the Dakar Declaration Steering

[5] Chowdhury, 2006
[6] World Bank, 2007

Committee and used to inform the policy dialogue and advocacy role that the Committee is playing in support to financial inclusion in Africa.

By improving money transfer services and linking them to other financial services such as savings, insurance and long-term investment loans, the FFR will create or support dynamics already at work in some of the high-volume remittance markets where competition and innovative providers have begun to improve access to and lower the cost of services. The FFR will stimulate partnerships between a range of financial operators, including credit unions, postal networks, banks, international money transfer operators, private sector companies (i.e. cell phone companies) and local financial service providers. As of August 2007, more than 160 applications have been received with the FFR first call for proposals, out of which at least 6 proposals are expected to be funded by the Investment Committee.

This US$13 million global facility offers a unique platform for donors to pilot test, in a coordinated way, innovative approaches that can help promote access to remittances for the poor, and their financial inclusion in the formal financial systems of their countries. It offers a tremendous platform for learning and innovation, as well as knowledge management, through the assessment of those pilots and their replication at a large scale. Finally, joining this facility offers a leverage for UNCDF it would never get by developing a similar agenda on its own, considering that its US$622,222 contribution to IFAD will enable it to participate in a funding agenda of a US$13 million initiative, which will certainly grow further in the future considering the expressions of interest made by other donors.

UNCDF and IFAD pursue the following objectives from their proposed partnership in the FFR: (i) greater financial inclusion in LDCs via remittances product diversification, (ii) Promotion of the "Delivering as One" approach in the area of financial inclusion through a Joint Programming modality and strengthened donor coordination.

FFR's Overall Goal and Objectives

The overall goal of the proposed initiative is to promote financial inclusion through the development of innovative remittance services that are cost-effective, easily accessible, and that widen the economic opportunities of the poor.

Specific objectives of the FFR are to:

(i) Increase access to remittances, especially in rural areas, by enabling local financial institutions to provide this service either directly or as the agent of commercial banks and remittance operators;
(ii) Encourage linkages between remittances and the provision of diversified financial services (e.g., savings mobilization, loans, insurance);
(iii) Promote strategic partnerships among formal financial institutions (e.g., commercial banks, cooperative banks), microfinance operators, credit unions, and NGOs with relevant experience on remittances, development and migration, microenterprise organizations, or hometown associations to facilitate access to remittances and other financial services by the poor; and,
(iv) Maximize the development impact of remittances.

Engagement of National Governments and other National Stakeholders

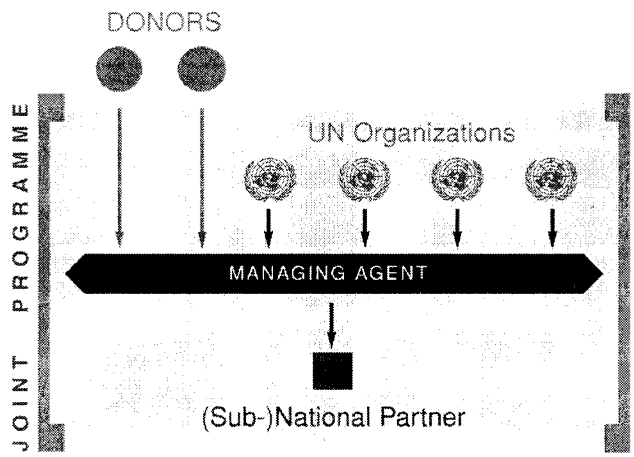
The FFR is a global facility that is not linked to pre-determined countries. However, during the implementation phase, the FFR will engage with national governments and other stakeholders (such as NGOs and the private sector) with the objective to develop an active policy dialogue around those pilots. They will serve as a demonstration to nurture a dialogue with governments and other national stakeholders in order to create an enabling environment for remittances and encourage innovative approaches in this area. This joint programme will thereby seek to ensure strong national ownership around this programme.

II. MANAGEMENT AND COORDINATION ARRANGEMENTS

IFAD as Managing Agent

Given that IFAD is hosting and managing the FFR, pooled fund management appears to be the appropriate fund management option for this Joint Programme (JP). IFAD will serve as the Managing Agent (MA) of the JP. A visual demonstration of the pooled funding management option is shown below:

Graphic illustration of fund management
for a Joint Programme with Pooled Funding



The multi-donor Financing Facility for Remittances will also have non-UN donors, such as the EC and IDB, partnering with UN organizations like IFAD & UNCDF. This particular project is thematic and multi-country and region, as opposed to country-specific, so there is no specified national partner in this Pooled Funding Management. National ownership of the experience gained from the pilot programmes will however be strongly encouraged, with the objective to develop a platform for policy dialogue with the government and national stakeholders around the lessons learnt from those pilots, and the potential up-scaling of successful remittance models on that basis.

Per the Memorandum of Understanding (see Annex 1), the MA IFAD is financially accountable for the JP, which includes timely disbursement of funds and responsibility for narrative and financial reporting (aligned with reporting to the other donors). The MA is also accountable for coordinating technical inputs by the participating institutions.

Accounting and Reporting Arrangements

The MA IFAD will prepare a budget for the JP, consistent with its procedures, and covering the mutually agreed components of the programme, for endorsement by UNCDF and the other donors. The MA will account for the income received to fund the JP in accordance with its financial regulations and rules. A separate account will be set up by IFAD for the FFR. All funds UNCDF and the other donors disburse to IFAD will be deposited into the aforementioned account. Interest earned on the funds disbursed by UNCDF will be retained in the separate FFR account to be utilized to achieve the expected outputs of the FFR.

Governance Structure of the FFR

The governance structure of the FFR includes a Steering Committee, an Investment Committee and the Facility Coordinator.

Steering Committee: Its members include representatives from the donors providing co-financing and one (or several) expert(s) from the industry. The World Bank or DfID (as co-chairs of the Inter-Agency Task Force on Remittances) will also be invited to attend as observers the Steering Committee's sessions, as well as other donors strongly interested in this initiative (e.g., International Labor Organization, International Organization for Migration, Rockefeller Foundation, Ford Foundation). The Steering Committee will meet once per year, the timing of which could be coordinated with the schedule of the Inter-Agency Task Force meetings[7].

Investment Committee: It will select the initiatives to be financed, conduct the review progress and suggest adjustments that may be required as a result of changed circumstances, while assuring general supervision of the activities financed by the Financing Facility. The Investment Committee will meet twice per year with additional meetings as needed or requested by the Programme Coordinator. It will be comprised of the Programme Coordinator and representatives of other donors that provide funding to the Financing Facility. The UNCDF Director of Inclusive Finance will represent UNCDF at the Investment Committee.

Decisions within the Steering Committee and the Investment Committee will be taken by consensus or by majority if needed.

Programme Coordinator: A Coordinator has been appointed to conduct the day-to-day management of the Financing Facility, based at IFAD. The Coordinator was identified and recruited by IFAD in accordance with the Fund's recruitment policies and procedures based upon competition, merit, and respect for the guidelines contained in the IFAD's Human Resources Procedures Manual (HRPM). The main responsibility of the Coordinator, who works as the secretary of the Steering Committee, is to implement the annual working programme and guarantee that results are achieved.

Specifically the Coordinator will: (i) identify new initiatives; (ii) organize calls for proposals and bidding processes; (iii) submit screened proposals to the Investment Committee; and (iv) (co)develop knowledge management and dissemination activities with donors and external partners.

Review and Selection Process for Proposals

The applications will be reviewed by the Investment Committee with the possible assistance of external assessors. If needed, applicants may be interviewed to further clarify their proposals. Final selection will be done by the Investment Committee. All applications will be assessed according to the criteria previously established by the Steering Committee. For the 2008 call for proposals, applicants will be requested to submit concept notes and full proposals if selected. The Criteria for selection include, among others, the following:

<u>Concept proposal review criteria</u>

- Relevance to the goal and objectives of the FFR.
- Degree of innovation proposed by the project.
- Sustainability of project objectives beyond financing period.
- Potential impact and added-value of FFR financing.
- Institutional, financial and technical capacity of the applicant organization .
- Implementation arrangements and resources.,

[7] Following a 2003 conference on migrant remittances, an inter-agency task force comprising the World Bank, UK Department for International Development, Inter-American Development Bank, International Monetary Fund, US Treasury, European Commission, Canada, German Gesellschaft fur Technische Zusammenarbeit, International Labour Office, and IFAD was formed. The task force focuses on collaboration in developing core principles in public policy and private enterprise to support remittances, improving data and information about remittances, coordinating remittance programmes, and exploring the broader development impact of remittances.

Full proposal review criteria

The selection of the Full proposals will be based on the following criteria:
[overall percentile weights of these criteria are indicated within brackets]:

1) **Relevance to the goal and objectives of the FFR.** Are the problems that the project seeks to address relevant to the overall goal and objectives of the FFR? Does the proposal address remittances and/or migration issues relevant for the development of rural areas in the target area/country of operation? **[15%]**

2) **Innovation.** Degree of innovation proposed by the project. Is the proposal's solution developing new ways to address the problems that have been identified? Are issues specific to the remittance market and/or migration trends in the proposed target area/country of operation taken into account? **[20%]**

3) **Sustainability.** Financial and organizational sustainability; the economic benefit of the proposal in terms of revenue and profits; project continuity and financial viability after the FFR support ends. Is the proposal's plan to ensure financial and organizational sustainability viable? **[20%]**

4) **Potential impact and added-value of FFR financing.** Beneficiaries and project impact in terms of improved remittance transfer and access; greater links between remittances and financial services; and the development of productive rural investment opportunities for migrants and community-based organizations. To what extent are FFR resources needed to carry out the project? What is the added value of FFR support? **[15%]**

5) **Capacity.** Institutional, financial and technical capacity of the applicant organization (when applicable, also through the alliance established for the project) to carry out the proposed plan; applicants' degree of experience in project execution and in working with remittances and/or migration issues in the region. **[15%]**

6) **Implementation arrangements and resources.** Technical and financial project plans: feasibility and consistency of the project activities, project plan and its proposed budget; appropriateness of the implementation arrangements and resources to be mobilized for the project; overall quality of the proposal documents (form and content). **[15%]**

FFR Review Committee members will assign between 0 and 5 points to the above-mentioned criteria according to the following assessment:

0 – fails or missing/incomplete information
1 – poor
2 – fair
3 – good
4 – very good
5 – excellent

A percentile weight is assigned to each pre-selection criteria, which will determine, in conjunction with the average points assigned by the evaluators, the overall score and ranking of the proposals.

The FFR Review Committee may determine a threshold for each selection criteria and for the overall score below which submitted proposals will be disqualified. Please note that the quality of the presentation, in terms of conceptual layout of the proposal, language, and visual impact is a factor in the judgment of any evaluator. Also remember that proposals that exceed the limits of text established by the application form may be excluded from the review process.

The evaluation and selection process will start immediately after the deadline for the submission of the proposals and is expected to last for no more than two months. Each grant awarded under this FFR will not exceed US$250,000) Innovation and experimentation will be encouraged with a view to develop replicable business models and push the frontiers in the delivery of remittances and other financial services.

Award of Grants

Depending on the institutional risk the beneficiary will be provided with a performance-based grant in accordance with the procedures and standard documents in force at the time of the launch of the procedure in question. Within the proposals financed through the facility, applicants will be required to clearly state performance based indicators, related targets or thresholds and develop a monitoring plan to measure their performance. Targets should be clear, measurable, and ambitious though realistic. Performance-based indicators will be quantifiable and results-oriented. Through bi-annual reports, beneficiaries of the grants will report on progress made in achieving the targets and the use of resources. The grant will be awarded in accordance with procedures and standard documents in force at IFAD for the FFR.

Dissemination of Results

Results will be widely disseminated among the donor community through the Inter-Agency Task Force on remittances. A dedicated web page on this initiative will be developed after the start-up phase of the FFR. Links will also be established to the main websites on remittances. Lessons learnt and reports on the initiatives financed will be posted on the web page and made available to all stakeholders and the general public. In order to guarantee the visibility of the initiative, promote strategic partnership and ensure the replicability of the interventions financed, the private sector will be involved in the dissemination phase. Results will also be presented during such events as the annual conference of the World Savings Bank Institute in Brussels and shared with specialized institutions (e.g., World Council of Credit Unions, Western Union, MoneyGram, La Caixa Tranfer Services, Citibank).

Results Framework

The present proposal, by promoting remittances as a new line of services to be offered by financial service providers, will contribute to two indicators of UNCDF's contribution to the UNDP Strategic Plan: (i) number of FSPs that provide sustainable access to financial services and (ii) number of active clients that have sustainable access to such services[8]. For UNCDF, the Result Framework of this JP is related to the *full funding agenda of this Facility* and not only the pilot initiatives that will be financed with UNCDF's own contribution. This is justified since the objectives, outcomes, outputs and activities of this initiative are common to all participating donors. Moreover, the learning and knowledge management agenda to be derived from this Facility, whether it comes from pilot experiences in LDCs or non-LDCs, will be relevant to UNCDF in its efforts to promote broader access to diversified financial services in LDCs. Finally, the proposal directly supports one of the core objectives of UNCDF's Business Plan for 2007/08, related to the promotion of product diversification by FSPs.

The logical framework for this results-based joint programme is illustrated in Table 1 below. As stated earlier, UNCDF's rationale for participation in the FFR has three main objectives: greater financial inclusion in LDCs via remittance services, promotion of the "One UN" approach in financial inclusion, and development of strategic partnerships with other donors. The outcomes expected from UNCDF's participation in the FFR are low-income clients receiving innovative remittance services from MFIs and other FSPs, greater experience with joint programming (using the pooled funding modality), and strengthened strategic partnerships with other donors. The key outputs expected to contribute to the achievement of the joint programme's objectives and outcomes are (i) the selection of innovative

[8] The FSPs that will receive funding from the Facility will also be monitored, beyond their outreach in terms of remittance services, through the standard performance indicators used by UNCDF in its FI programs (i.e. percentage of women as clients, portfolio at risk, financial sustainability etc...). This will enable UNCDF to integrate those FSPs to the monitoring of its overall MF portfolio and reporting in the ROAR.

remittance pilot programs in LDCs in Year One and Two; (ii) remittance services being offered to low-income clients through implementation of the pilots; (iii) a conference and publication on the role of remittances in financial inclusion[9]; (iv) joint programming modality experience; (v) and a multi-donor funding facility precedent. As Managing Agent and housing the Programme Coordinator of the FFR, IFAD will carry most of the responsibilities for the activities that will lead to the production of the above-mentioned outputs (see the Work Plan in Table 2 on page 13 for the defined responsibilities for all activities).

Table 1. Results Framework

Objective	Outcome	Outcome Indicator	Output	Indicative Activity
1. Greater Financial Inclusion in LDCs via Remittances Product Diversification	1. Low-Income Clients receive Innovative Remittance Services from MFIs and other FSPs	1. Number of FSPs offering Remittance Services in LDCs on a sustainable basis 2. Number of clients reached by the FSP funded (% women) 3. Portfolio at risks of the FSP funded. 4. OSS of the FSP funded[10]	1.1 Proposals for Remittances Pilot Programmes Selected in Year One	-Announcement of FFR Round One -Dissemination of Applications -Screening & decision process for applications -Disbursing Funds to Proposal Winners
			1.2 Proposals for Remittances Pilot Programmes Selected in Year Two	-Announcement of FFR Round Two -Dissemination of Applications -Screening & Decision Process for applications -Disbursing Funds to Proposal Winners
			1.3 Remittance Product Services Offered to Low-Income Clients through Implementation of Pilots	-Monitor Operations & Performance of Pilots in Year One & Two
2. Strengthened "Delivering as One " and donor partnership in the area of inclusive finance	2. 1Greater experience with Joint Programming (JP) at global level for the promotion of "Delivering as One" 2.2 Strengthened strategic partnerships and knowledge management with other donors in the area of inclusive finance	2. 1Number of Joint Programmes engaged in by UNCDF with other UN agencies 2.2 Number of other Donors interested in engaging in multi-donor facilities in the future in the area of inclusive finance	2.1 Increased knowledge in JP and pooled funding modality - Successful implementation of the multi-donor FFR	- Formulate JP with IFAD as Managing Agent -Implement JP modality - Compiling Results for distribution to Donor & Practitioner Networks, IFAD Website -Research & Writing of Publication re Pilot Programmes

Monitoring

The Facility Coordinator will be responsible for monitoring the progress and performance of selected actions. He/she will ensure timely receipt of financial information and documents, financial reports and audits as (a) required by the selection process (pre-approval) and (b) required in conformity with individual grant agreements (post-approval). Monitoring activities will be complemented by IFAD, which

[9] The exact focus of this study will be determined in consultation with the Coordinator of the FFR and other member donors. For example, there seems to be some interest in carrying out a **cross-regional analysis of the major legal and regulatory impediments to the provision of remittance services in developing countries**. This could provide a substantial contribution to UNCDF's agenda on financial inclusion and *help integrate the remittance "dimension" in shaping national strategies for financial inclusion*. Such a study could also *support the UN Advisors' Group agenda on the theme of Regulation and Supervision.*

[10] The FFR will also fund institutions that are not classical microfinance institutions (one window targets home town associations; another may target private sector actors that could include cell phone companies, internet based service companies etc...). Indicators 3 and 4 may not apply to all recipients and may need to be adapted accordingly.

will be supervising the use of resources and the execution of the annual work plans approved by the Steering Committee. Moreover, progress reports will be made available by the IF Unit at the end of each year under the leadership of the IF Director, outlining progress and achievements of the FFR.

Evaluation

UNCDF will participate in a joint evaluation with IFAD and the other donors of the FFR. The FFR Steering Committee in consultation with the independent evaluation offices of UNCDF, IFAD and the other donors, will determine the external evaluation framework for the FFR, which will involve the commissioning of an independent third-party evaluator(s). UNCDF's independent evaluation advisor will contribute to the TOR and the composition of the evaluation framework and will ensure that the key roles of independent evaluation (four roles) are respected[11]. The joint final evaluation will take place before UNCDF considers any additional funding to the FFR. This evaluation will be conducted in accordance with the UN Norms and Standards for Evaluation in the UN System and will be will be in compliance with the IFAD and UNCDF mandatory evaluation requirements in the IFAD and UNCDF evaluation Policy. UNCDF will contribute to the funding of this evaluation framework through the US$30,000 provision in the budget. It is expected that the other donors will also allocate funds for the evaluation as required.

[11] The four roles of independent evaluation are the following:

- *Results Based Programme Management and Decision-making*: promotes the quality of individual pilot programmes by providing objective, independent reviews that feeds into programme management decision-making and programme improvement;
- *Accountability*: holds UNCDF accountable for results and the utilization of its own funds;
- *Knowledge management*: contributes to organizational learning, practice development, and refinement of the inclusive financial sector approach;
- *Support to Policy Impact and Replication*: Aims to establish, credibly, for UNCDF, UNDP and co-funding partners, the viability and desirability of the extension, replication and scaling up of pilot programs. Create a basis for discussion in LDCs on inclusive financial sector development.

III. Funding

Overview

UNCDF's total budgeted funding for this programme will be US$622,222. UNCDF's contribution to the FFR will amount to US$500,000 over a two-year period and will be used exclusively in LDCs, to fund two remittance pilot programmes in the field. There will also be a 10% or US$62,222 Managing Agent fee for IFAD (covering IFAD's indirect costs as Managing Agent of this Facility). *Given IFAD's operational experience with the establishing the prior remittances financing facility for Latin America, as well as their technical expertise and strong knowledge base in the area of remittances, they are the ideal partner in the remittances space to be the managing agent for UNCDF's participation in the FFR.* An additional US$30,000 will be used to finalize a research and position paper on the relation between the remittance phenomenon and building inclusive financial systems in developing countries[12] as well help fund a conference to share the results and lessons learned from the pilots. US$30,000 will also be provided as a contribution to the joint evaluation framework of the FFR.

Common Work Plan and Budget

Table 2. Work Plan

EXPECTED OUTPUTS & MONITORING ACTIVITIES	KEY ACTIVITIES/ ANNUAL OUTPUT TARGETS	TIMEFRAME 2007-8)				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Source of Funds	Budget Description	Amount
1) Proposals for Remittances Pilot Programmes selected (2008)	Technical Review of Applications		X			IFAD	N/A		N/A
	Determine Shortlist		X			IFAD	N/A		N/A
	Screening Decision			X		IFAD & UNCDF + other Donors	N/A		N/A
	Disbursement of Funds				X	IFAD	UNCDF		US$500,000
2) Remittance Product Services Offered to Low-Income Clients	Implementation of Pilots (Q3 of 2008 and 2009)	X	X	X	X	IFAD	N/A		N/S
3) Publication & Conference on Role of Remittances in Financial Inclusion (2009)	Research Conducted			X	X	IFAD & UNCDF	N/A		N/A
	Publication Completed				X	IFAD & UNCDF	UNCDF		US$30,000
	Conference Planned (2009)			X		IFAD	N/A		N/A
4) Knowledge on Joint Programme (2009)	Final Evaluation Conducted			X	X	IFAD & UNCDF + other Donors	UNCDF	Evaluation	$30,000
							UNCDF	MA Fee for IFAD	$62,222
TOTAL									US$622,222

[12] The specific topic will be determined at a later stage, in consultation with the other donor members of the FFR; see table 1, p.9).

Table 3. Budget

ACTIVITY	TOTAL	2008	2009
Funding for Remittance Services Pilot Programmes	$500,000	$500,000	
Publication on Role of Remittances in Financial Inclusion	$30,000	$0	$30,000
Evaluation	$30,000	$0	$30,000
Subtotal	**$560,000**	**$500,000**	**$60,000**
10% Managing Agent Fee for IFAD	$62,222	$55,555	$6,667
TOTAL	**$622,222**	**$555,555**	**$66,667**

UNCDF will disburse the funds using the advance modality (AP Prepaid voucher), for a total amount of US$622,222. The funds will be released in two tranches: Year 1 funds will be released within 4 weeks of the signing of the Joint Programme Document's legal and financial agreement. The Year 2 funds will be released within 4 weeks of the receipt of the progress report and budget expenditures from IFAD.[13]

4. Budget (Atlas Format)

Project Budget Atlas Format					
UNCDF to IFAD	**Remittances Joint Programme**			**Atlas Budget**	
Description	**Activity Type**	**Budget Category**	**Total Initial Budget**	**2008**	**2009**
1. Pilot Funding					
Round 2	FINAN	MFDEV	500,000	500,000	-
Subtotal			**500,000**	**500,000**	
2. Dissemination & Evaluation					
Dissemination	INFOS	MFR&P	30,000	-	30,000
Evaluation	EVALU	EUEVA	30,000	-	30,000
Subtotal			**60,000**	**-**	**60,000**
3. Management Fees					
MA Fee for IFAD	MGTSV	MGPR2	62,222	55,555	6,667
TOTAL			**622,222**	**555,555**	**66,667**

13 .

ANNEX I

Memorandum of Understanding
between
United Nations Capital Development Fund (UNCDF)
and
International Fund for Agricultural Development (IFAD)

WHEREAS, UNCDF and IFAD (hereinafter referred to collectively as the "Participating UN Organizations"), have developed a joint programme (hereinafter referred to as the "Joint Programme"), to pool resources to create the Financing Facility for Remittances (hereinafter referred to as the "Facility");

WHEREAS, the Participating UN Organizations have agreed that they will fully participate in the preparation, planning, and evaluation of the Joint Programme in cooperation with the host Government, and that they will appoint one of the Participating UN Organizations to be responsible for management of the Joint Programme funds and activities, (hereinafter referred to as "Managing Agent") in order to achieve the objectives of the Joint Programme more effectively and efficiently; and

WHEREAS, the Participating UN Organizations have further agreed that they will pool their existing or otherwise mobilized Regular and/or Other Resources for the Joint Programme and put such resources under management and administration by the Managing Agent for the implementation of the Joint Programme;

WHEREAS, the Participating UN Organizations have further agreed that **IFAD** (which is also a Participating UN Organization) will be so appointed and will serve as the administrative interface with the national partner, and be responsible for the management of the Joint Programme, IFAD has agreed to do so in accordance with this Memorandum of Understanding.

NOW, THEREFORE, IFAD and UNCDF (hereinafter referred to collectively as the "Parties") hereby agree as follows:

Article I
Appointment of Managing Agent, its Status and Duties

1. The Parties hereby appoint IFAD as the "Managing Agent" or the "MA" to be responsible for the administration of the funds and for management of the Joint Programme activities set out in the Joint Programme Document attached hereto as Annex A. The Managing Agent accepts this appointment and assumes full responsibility for management of the Joint Programme and financial accountability for the funds transferred to it by the Participating UN Organizations. This appointment shall continue until it terminates, or is terminated, in accordance with Article VII below.

2. The Managing Agent shall perform the following duties:

(a) disburse funds and supplies in a timely fashion;
(b) coordinate technical inputs by both Parties;
(c) follow-up on implementation of the Facility;
(d) be accountable for narrative and financial reporting;
(e) perform such other activities as the Parties may agree in writing.

3. In discharging its obligations under this Memorandum of Understanding, the Managing Agent shall have the status of an independent contractor and shall not be considered as an agent of UNCDF, and, thus, its personnel shall not be considered as staff members or personnel of UNCDF. Without restricting the generality of the preceding sentence, neither of the Parties shall be liable for the acts or omissions of the other Party or its personnel, or of persons performing services on its behalf, to the extent that the Parties or any one of them have not contributed to such acts or omissions of the Managing Agent resulting in such liability. In the case of any contributory acts or omissions of the Parties, the resulting liability shall be apportioned among them or any one of them.

Article II
Financial Matters

1. The Parties shall contribute to the costs of the Joint Programme activities in accordance with the budget and schedule of payments contained in the Joint Programme Document. A schedule of payments is attached as Annex A.

2. The Managing Agent shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds received by it pursuant to this Memorandum of Understanding (hereinafter, the "Joint Programme Account"). The Joint Programme Account shall be administered by the Managing Agent in accordance with the regulations, rules, directives and procedures applicable to it, including those relating to interest. The Joint Programme Account shall be subject exclusively to the internal and external auditing procedures laid down in the Managing Agent's financial regulations, rules, directives and procedures. The audit conducted by the Managing Agent's internal and/or external auditors shall be considered acceptable to the Participating UN organizations.

3. UNCDF shall transfer funds to the Managing Agent through wire transfer. When making a transfer to the Managing Agent, UNCDF will notify the Managing Agent's Treasury of the following: (a) the amount transferred, (b) the value date of the transfer; and (c) that the transfer is from UNCDF in respect of the Joint Programme pursuant to this Memorandum of Understanding, for deposit to the Joint Programme Account.

4. The Managing Agent shall not be required to commence or continue activities in connection with the Joint Programme if a scheduled contribution from a Participating UN Organization has not been paid.

5. The funds in the Joint Programme Account shall be accounted for by IFAD as supplementary funds. In accordance with its policies and procedures for cost recovery in line

with decisions of its Executive Board, the Managing Agent will apply ten percent (10%) of the contribution of UNCDF towards the Managing Agent's indirect costs.

Article III
Activities of the Managing Agent

1. The Managing Agent shall manage the Joint Programme activities contemplated in the Joint Programme Document in accordance with its regulations, rules, directives and procedures. Accordingly, personnel shall be engaged and administered, equipment, supplies and services purchased, and contracts entered into in accordance with the provisions of such regulations, rules, directives and procedures.

2. Any modifications to the Joint Programme activities set out in the Joint Programme Document, including as to their nature, content, sequencing or the duration thereof, shall be subject to mutual agreement in writing between the Participating UN organizations and the Managing Agent. Any change in the budget for the Joint Programme set out in the Joint Programme Document shall be subject to mutual agreement in writing between all parties to the Joint Programme Document.

3. Where the Managing Agent wishes to support the implementation of the Joint Programme activities through or in collaboration with a third party, it shall be responsible for discharging all commitments and obligations with such third parties, and no Participating UN organization shall be responsible for doing so.

Article IV
Reporting

1. The Managing Agent shall provide UNCDF with the following statements and reports prepared in accordance with the regulations, rules and procedures applicable to it and as reflected in the Joint Programme Document. In line with the principle that there should be only one annual report, the reporting arrangements shall be:

(a) Narrative progress reports for each twelve-month period, to be provided no later than ninety (90) days after the end of the applicable reporting period;

(b) Interim annual financial reports as of 31 December each year with respect to the Joint Programme Account, to be provided no later than ninety (90) days after such date;

(c) A final narrative report and uncertified financial report, to be provided no later than three (3) months after the completion of the Joint Programme (in the case of the final report) and three (3) months after the last 31 December during which funds disbursed from the Joint Programme Account;

(d) A final certified financial statement.

2. Apart from the reports set further above, no other reports will be provided by the Managing Agent to UNCDF or to the other contributors (if any) to the Joint Programme Account.

Article V
Other Contributors to Support the Joint Programme

1. Where a funding gap exists over and above the commitments made by Participating UN Organizations, the Managing Agent can engage in resource mobilization for the additional necessary funds. Donors would normally be expected to contribute to the Joint Programme through the Managing Agent. The Managing Agent would inform the Participating UN Organizations of any such contributions through the Joint Programme Steering Committee

2. In cases where a Participating UN Organization commits existing or otherwise mobilized other resources to the Joint Programme, the agreement between the participating UN organization concerned, and the donor would govern the said contribution.

Article VI
Monitoring and Evaluation

Monitoring and evaluation of the Joint Programme shall be undertaken in accordance with the Managing Agent's procedures and policy guidance and in full consultation with the other donors that contribute to the Financing Facility for Remittances, as reflected in the Joint Programme Document.

Article VII
Communication

Upon consultation between the Parties, the Managing Agent shall take appropriate measures to publicize the Joint Programme as a joint programme of all the Participating UN organizations. Information given to the press, to the beneficiaries of the Joint Programme, all related publicity material, official notices, reports and publications, shall acknowledge the role of the Managing Agent, the Participating UN organizations and the other contributors (if any) to the Joint Programme.

Article VIII
Expiration, modification and termination of the Agreement

1. This Memorandum of Understanding shall expire upon completion of the Joint Programme, subject to the continuance in force of paragraph 5 below for the purposes therein stated.

2. This Memorandum of Understanding may be modified only by written agreement between the Parties.

3. Any of the Participating UN Organizations may withdraw from this Memorandum of Understanding upon giving thirty (30) days' written notice to all other parties to this

Memorandum of Understanding that it has given notice, in accordance with the Joint Programme Document, of its withdrawal from the Joint Programme. In the event of any such withdrawal, the withdrawing Participating UN Organization shall only be eligible for a refund on contributions provided hereunder which have not yet been committed and/or disbursed.

4. The Managing Agent's appointment may be terminated by the Managing Agent (on the one hand) or by the mutual agreement of all Participating UN Organizations and the host Government (on the other) on thirty (30) days' written notice to the other party, subject to the continuance in force of paragraph 5 below for the purpose therein stated. In the event of such termination, the Parties shall agree on measures to bring all activities to an orderly and prompt conclusion so as to minimize costs and expense.

5. Obligations assumed by the Parties under this Memorandum of Understanding shall survive the expiration or termination of this Memorandum of Understanding to the extent necessary to permit the orderly conclusion of the Joint Programme and the completion of final reports, the withdrawal of personnel, funds and property, the settlement of accounts between the Parties hereto and the settlement of contractual liabilities that are required in respect of any subcontractors, consultants or suppliers. Any balance remaining in the Joint Programme Account shall be used for a purpose mutually agreed upon by the Parties to this Memorandum of Understanding.

Article IX
Notices

1. Any action required or permitted to be taken under this Memorandum of Understanding may be taken on behalf of the Managing Agent by the Facility Programme Coordinator at IFAD or his or her designated representative.

2. Any notice or request required or permitted to be given or made in this Memorandum of Understanding shall be in writing. Such notice or request shall be deemed to be duly given or made when it shall have been delivered by hand, mail, or email to the party to which it is required to be given or made, at such party's address specified in Annex C to this Memorandum of Understanding or at such other address as the party shall have specified in writing to the party giving such notice or making such request.

Article X
Entry into force

This Memorandum of Understanding shall enter into force upon signature by authorized officials of the Parties and shall continue in full force and effect until it is expired or terminated.

Article X
Settlement of disputes

The Parties shall use their best efforts to promptly settle through direct negotiations any dispute, controversy or claim arising out of or in connection with this Memorandum of

Understanding or any breach thereof. Any such dispute, controversy or claim which is not settled within sixty (60) days from the date either party has notified the other party of the nature of the dispute, controversy or claim and of the measures which should be taken to rectify it, shall be resolved through consultation between the Executive Heads of each of the Parties.

IN WITNESS WHEREOF, the undersigned, duly authorized representatives of the respective Parties, have signed this Memorandum of Understanding in the English in **two (2)** copies.

For the Managing Agent (IFAD)

Signature: ________________
Name: Mr Lennart Båge
Title: President
Place: IFAD

Date: 17.9.08

For UNCDF

Signature: ________________
Name: Mrs Henriette Keijzers
Title: O.I.C.
Place: UNCDF

Date: 26 August 2008

ANNEX A: Joint Programme Document Extract – Budget and Schedule of Payments

BUDGET AND SCHEDULE OF PAYMENTS

ACTIVITY	**TOTAL**	**2008**	**2009**
Funding for Remittance Services Pilot Programmes	$500,000	$500,000	
Publication on Role of Remittances in Financial Inclusion	$30,000	$0	$30,000
Evaluation	$30,000	$0	$30,000
Subtotal	**$560,000**	**$500,000**	**$60,000**
10% Managing Agent indirect costs	$62,222	$55,555	$6,667
TOTAL	**$622,222**	**$555,555**	**$66,667**

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ANNEX B

NOTICES

For the Managing Agent IFAD:

Name: ____________________
Title:______________________
Address: ___________________
Telephone: _________________
Facsimile: __________________
Electronic mail: ______________

For UNCDF:

Name: Henri Dommel
Title: Director, Inclusive Finance
Address: 2 UN Plaza, New York, NY 10017
Telephone: +001-212-906-3653
Facsimile: +001 -212-906-6479
Electronic mail: henri.dommel@uncdf.org