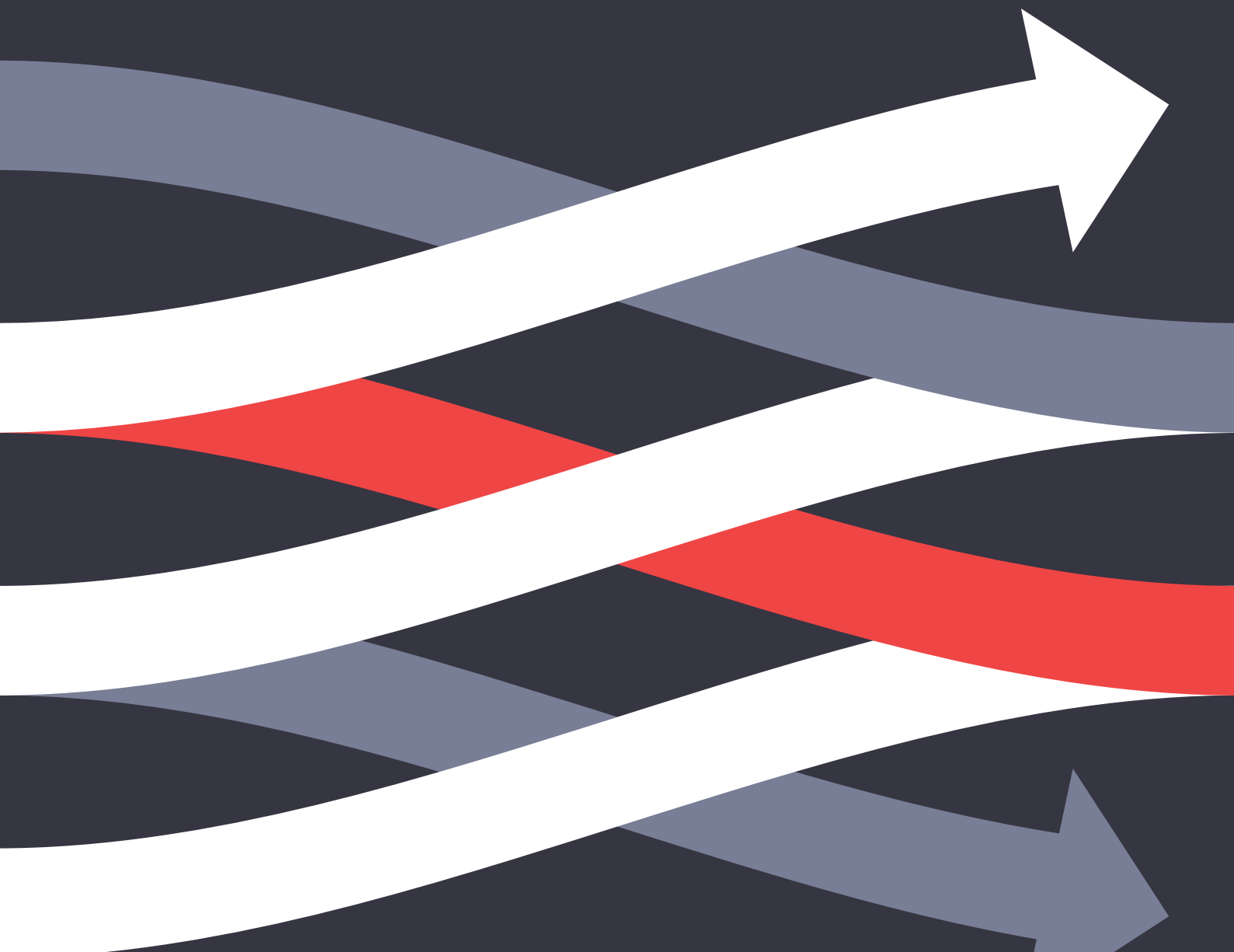




Partnership Framework For Global Initiatives on Inclusive Growth and Sustainable Development (PFIS)

Consolidated Progress Report 2014



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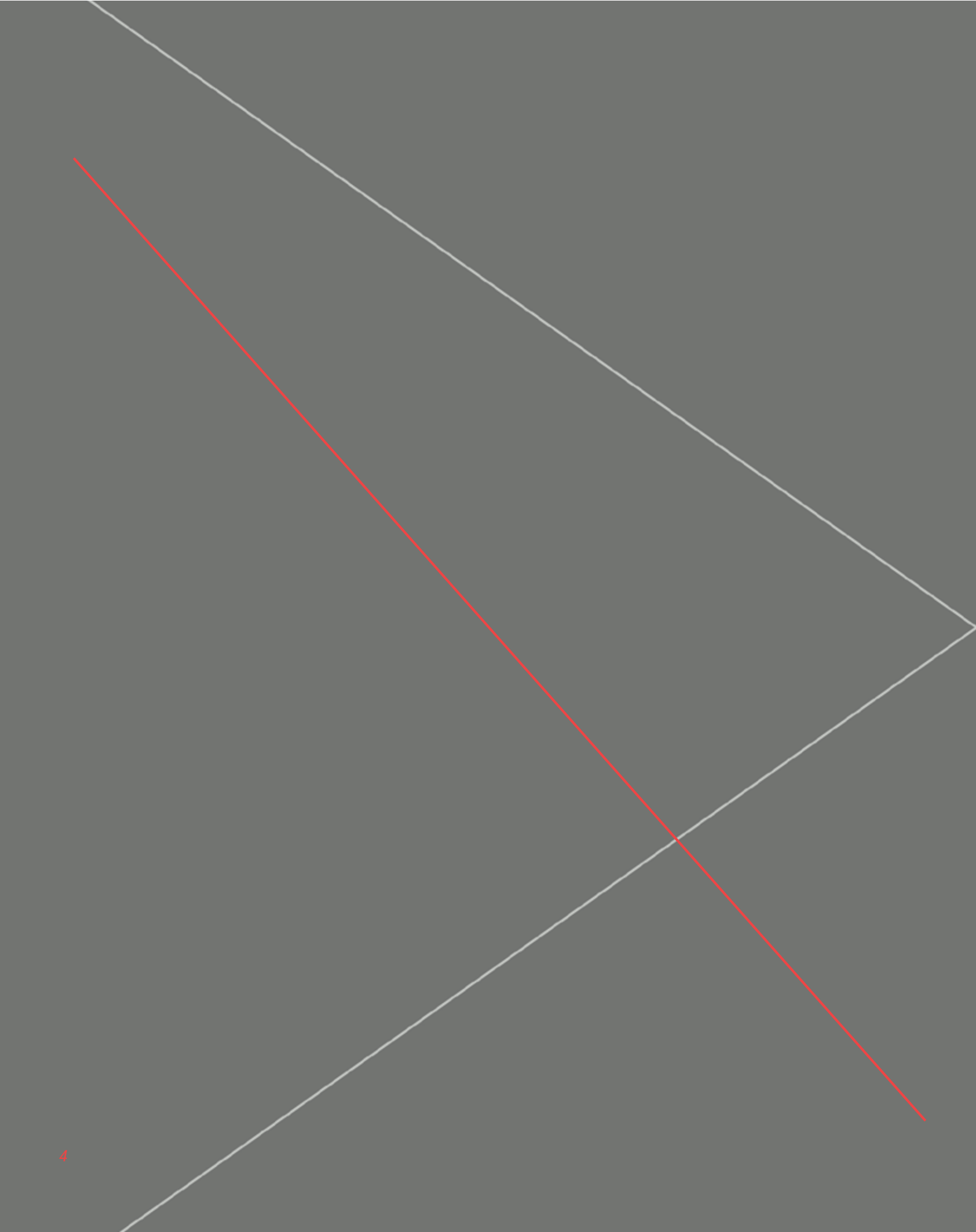
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A

Strategic Overview and Summary of Progress

What we've been up to in **2014**

INTRODUCTION

This is the Consolidated Report for the year 2014 encompassing all global programmes funded under the Partnership Framework for Global Initiatives on Inclusive Growth and Sustainable Development (PFIS) agreement. The report has been prepared by the Partnerships, Policy and Communications Division of UNCDF based on data obtained from the global programmes funded.

It provides a strategic overview which includes the context in which the programmes operate, key results and the financial summary. A more detailed report is provided for each global programme in Section B. They follow the following format: 1) the development challenge addressed; 2) the overall impact on the LDC and beneficiaries; 3) solution offered to the development challenge; 4) the strategic outcomes to date; 5) the results for 2014 including challenges and delays in implementation and how these were addressed; 6) lessons learned; 7) resources; and 8) workplan.

The report also includes progress towards implementation of the “Leveraging Domestic Finance for Inclusive Growth and Resilience in LDCs” (LDGR), which provided additional funding. This additional funding was focused on the development of a gender-sensitive pipeline of investable projects and public infrastructure to be identified and implemented through the framework of three of UNCDF global thematic initiatives (GTIs), guided by UNCDF’s Corporate Strategy on Gender Equality and Empowerment of Women: (1) LoCAL, (2) LFI and, (3) CleanStart. The objective was to advance development efforts in the following areas: resilience to climate and disaster and promotion of food and shelter; building sustainable production systems and consumption patterns; and access to clean and sustainable energy sources.

Certified financial reports for both PFIS and LDGR (or Booster Fund) will also be submitted separately for each programme.

Note: All figures are in U.S. dollars, unless otherwise specified.

BACKGROUND

The Partnership Framework for Global Initiatives on Inclusive Growth and Sustainable Development (PFIS) is an innovative partnership set up by the Swedish International Cooperation Agency (Sida) and the United Nations Capital Development Fund (UNCDF) in 2012. The key words to note are “partnership” and “framework”. The PFIS was conceptualized as a unique partnership framework that encompasses virtually all the key programmes of UNCDF. Sweden, already a significant provider of core resources to UNCDF, also began to provide non-core support from 2010 onwards. Two years later it supplemented its existing support with this partnership aimed at reinforcing UNCDF’s work on inclusive growth and sustainable development in the LDCs. The total commitment under PFIS is SEK110,000,000 (\$16.3 million) for the period 2012-2015.

The partnership provides a flexible funding mechanism for Sida to contribute to key strategic priorities of UNCDF. It also enables funding of key areas of focus for Sida, namely gender equality, economic opportunities for the poor, environmentally sustainable development and, indirectly, peace and security. This framework deepens and strengthens the partnership and avoids fragmentation of Sida’s support through the mushrooming of numerous agreements. It reduces the transaction costs for both partners of processing, monitoring and reporting on multiple agreements. PFIS enables better administration and management of the funds, as resource flows are easy to track and report on both sides. Aside from consolidation and greater focus, the structure allows for increased strategic flexibility both in terms of how the partnership operates and in the scope of the themes and activities funded. It brings together funding for several global thematic initiatives (GTIs) under one overarching framework. Overall, it helps to improve development effectiveness, operational alignment, efficiency and results and gives both partners a composite picture of their engagement under PFIS. It also enables the partnership to be more strategic, raising it to a higher level, to build a best practice in aid effectiveness.



Global Thematic Initiatives Funded by PFIS

PFIS has by 2014 funded eight strategic GTIs that cover several themes including financial inclusion, access to clean energy, climate adaptation for local communities, increasing domestic private resources for local infrastructure and the economic empowerment of women.

The GTIs funded include:

Mobile Money for the Poor (MM4P):

this initiative aims to leapfrog households in LDCs into the world of digital finance by providing access to digital financial services. This includes payments, credit, savings and insurance services.

Making Access Possible (MAP):

a multi country programme that utilizes a specialized diagnostic tool to map the financial inclusion ecosystems of countries supporting data driven decision making for financial inclusion.

CleanStart: a programme that provides catalytic financing for

energy businesses and financial service providers to improve the financial access of poor households to decentralized off grid sources of clean energy.

Local Climate Adaption Living Facility (LoCAL):

that promotes climate resilience in local communities and economies by making available financing and investment for climate change adaptation at the local level.

Local Finance Initiative (LFI):

this initiative provides credit enhancement and technical assistance for project finance covering the “last mile” bankability of projects. It also serves as a vehicle for local capital including banks and pension funds to invest in local infrastructure.

Inclusive and Equitable Local Development (IELD):

a programme aimed at supporting local governments to design, plan, implement and sustain investments that take into account the needs of poor women and men.

YouthStart: a programme aimed at the financial inclusion of young people and their access to economic opportunities.

Advancing Women’s Empowerment (AWE):

aims to design financial products that take into account women’s needs that will be linked

to non-financial services that better utilize financial services (not yet funded).

Note: This programme has not started implementation and is being redesigned to be a complement to IELD.

THE CHALLENGE OF WORKING IN THE LDCs

UNCDF, as the United Nations' capital investment agency for the world's 48 least developed countries (LDCs), operates in a challenging environment. The LDCs are classified as least developed in terms of their low gross national income (GNI), weak human assets and a high degree of economic vulnerability to exogenous economic and environmental shocks. They represent the poorest and weakest segment of the international community, consisting of more than 880 million people (about 12 per cent of world population) and accounting for less than 2 per cent of world Gross Domestic Product (GDP). The current list of 48 LDCs include 34 in Africa, 13 in Asia and the Pacific, and one in Latin America. (Source: UN-OHRLLS) UNCDF works currently in 31 LDCs of which 22 are in Africa and 9 in Asia and the Pacific.

The difficult operating environment in the LDCs is the background against which the impacts and results achieved by PFIS should be gauged. The development challenges faced by LDCs are multifaceted and at multiple levels. These include low level of socio-economic development characterized by weak human and institutional capacities, low and unequally distributed income, and scarcity of domestic financial resources. There is a recurring motif of conflict and fragility, as 50% of the

countries in which UNCDF works are classified as fragile or conflict affected. There is a lack of inclusive growth and major governance, or exhibit capacity and infrastructure deficits. The largely agrarian economies of LDCs are affected by a vicious cycle of low productivity and low investment. These countries rely on the export of few primary commodities as major source of export and fiscal earnings, which makes them highly vulnerable to external terms-of-trade shocks. Only a handful have been able to diversify into the manufacturing sector, though with a limited range of products in labour-intensive industries, i.e. textiles and clothing. These constraints are responsible for insufficient domestic resource mobilization, low economic management capacity, weaknesses in programme design and implementation, chronic external deficits, high debt burdens and heavy dependence on external financing that have kept LDCs in poverty.

The Istanbul Plan of Action, 2011 had set a target of graduation of half the LDCs by 2020. It was estimated that GDP growth rates of around 7% would enable this to happen. However the growth that had been occurring at that rate was negatively impacted by the financial crisis of 2008. The gradual economic rebound that has begun in many LDCs since 2013 was

halted in 2014. GDP growth for the group declined to 5.1 per cent in 2014 from 5.4 per cent in 2013. (Source: Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 Report of the Secretary-General, May 2015).

While the LDCs are growing, the growth has not been inclusive. The growth of population outpaced economic growth and as a result had only a limited impact on living standards. The outlook for LDCs in the short and medium term remains uncertain (Source: The Least Development Countries Report 2014, UNCTAD). Though overall the achievement of LDCs in relation to the Millennium Development Goals (MDGs) is remarkable, Lao PDR is the only LDCs on track to meet all the MDG targets. The report also stated that an unfavourable external environment, and weaker economic performance suggests that the achievement of the MDGs and the even more ambitious Sustainable Development Goals (SDGs) associated with the post 2015 development agenda, is likely to be challenging.

UNCDF'S ROLE IN FOSTERING INCLUSIVE GROWTH

UNCDF operates in these LDCs at the local level, at the “last mile”, in secondary cities and rural areas in what would be deemed risky operating environments, with governance and capacity deficits. It thus has a unique goal of putting the furthest behind first for its mandate is to support first and foremost the LDCs.

This “last mile” is where there are serious local infrastructure shortages and where poor households and small enterprises have unmet needs for financial services. “Last mile” population groups, localities, and enterprises are often below the radar of private investors or bigger International Financial Institutions (IFIs). Beyond certain sectors and capital cities, resources do not always flow into social and economic infrastructure and productive investments. At the same time, it is in this “last mile” that LDCs can generate growth which is inclusive and local, and from within poor communities themselves.

UNCDF aims to create financing models that make it attractive for domestic and international investors to drive resources into the local economic space – resources that finance local infrastructure that creates the backbone of local economies. It also promotes financial service models that attract resources to serve poor households and small businesses and which create financial resilience and opportunities in their communities. UNCDF has a track record of mobilizing “last mile” financing and supporting sustainable financial models for the development of under-served regions, businesses, and households through the two tracks of financial inclusion and local development finance.

UNCDF'S MATURITY MODEL

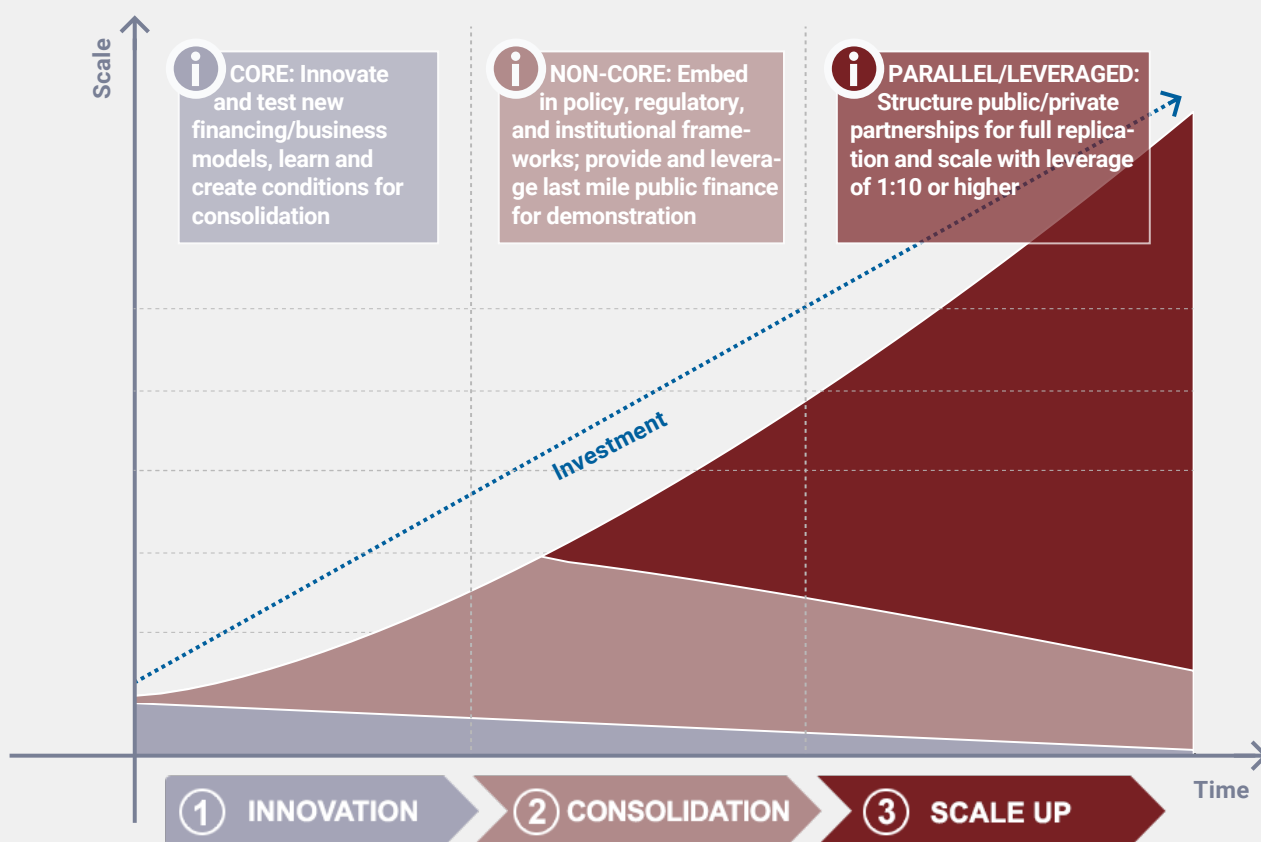
UNCDF's Maturity Model consists of three stages. The first stage is Innovation; the second is Consolidation; and, the third is Scale up. Innovation is an essential part of the organization's DNA. This is the stage where it incubates innovations, and develops a tolerance for risk. It uses core resources and flexible core-like resources through PFIS to innovate and test out new financing and business models. This stage also enables learning, creating the conditions for consolidation and eventual scale up.

Consolidation is the second stage where core and flexible non-core resources are used to consolidate the learning from innovation, creating

the evidence base that proves the innovation works. It puts in place the enabling environment in terms of policy, regulation and institutional frameworks. This is where UNCDF leverages additional public and private finance in the ratio of 1:4.

The last stage is the full scale up where UNCDF partners with bigger multilateral institutions like the World Bank and the private sector in order to take the consolidated innovation to scale. Here the leverage is an average of a factor of 1 to 10 and can be as high as 1 to 70. It is at this stage that a sustainable financing model with the broadest funding including blended financing that is owned by the LDCs, is left behind.

Figure 1: Maturity Model



OVERALL IMPACT OF PFIS

At the level of the LDCs — The work funded is leading to consistent support for the regulatory, institutional and policy frameworks needed for fostering financial inclusion and for local economic development. These are supported further by more effective and timely technical assistance, capacity building, knowledge sharing, maximizing innovations, synergies and knowledge. These impacts will increase into the future as programmes are consolidated and taken to scale.

At the level of UNCDF — PFIS has raised the quality of the work program, through providing additional value, scale, scope and flexibility in responding to challenges in the LDCs more effectively. It has led to more evidence-based and informed policy dialogue through better and more analytical work as in the case of MAP. It has helped UNCDF incubate several innovations, and has allowed the development and strengthening of new business lines, impacting virtually the entire organization.

Increased Innovation — PFIS has made it possible to both test out new innovations and address frontier issues in the development of LDCs. These include LFI, LoCAL, CleanStart, MAP and MM4P which were all funded in the first stage of the Maturity Model. For instance CleanStart could set up a guarantee

fund with the Development Bank of Ethiopia, to provide partial guarantees for capital investment and working capital for clean energy enterprises.

Increase in Both Scope and Scale — There is considerable evidence to show that PFIS has increased both the scale and scope of UNCDF's work. It has increased scope by introducing new lines of business in renewable energy, climate adaptation, digital financial services and a business model for increased domestic resource mobilization for local infrastructure. It has also allowed an increase in scale by taking some innovations to the consolidation stage like YouthStart Global. Now MM4P, MAP and LoCAL have moved to the consolidation stage in several countries within two years of PFIS operation.

Filling Critical Gaps — The flexible funding mechanism has enabled allocations to programmes according to their maturity level and has filled gaps where no other funds were available to incubate early stage innovations. It enabled CleanStart, for instance, which had additional funding from Norad in 2013 to opt out and come back under the PFIS in 2014.

Engendering Development — PFIS has resulted in a greater focus on gender aspects in programmes funded and the design of a gender focused programme called IELD. LFI

organized a workshop on financing tools and options for the members of the Women's Chamber of Commerce and women-led SMEs in Tanzania as part of the effort to incorporate gender equitable local economic development.

Increased Leverage Financial and Non-Financial — The funds provided via PFIS have made it possible to leverage other funds with additional financing from both public and private resources. The private funders include Master Card, Bill and Melinda Gates and MetLife Foundations. The funding from the private sector partners enabled MM4P to reach the consolidation stage and expand to four additional countries: Uganda, Benin, Senegal and Zambia. This leveraged the PFIS funding which had been used for the first four focus countries of Laos, Liberia, Malawi and Nepal. Public sector funders include the governments of Denmark, Norway, Australia, Liechtenstein, Austria, and Luxembourg, as well as the IFAD and the UN. A total of \$13.4 m from Sida was leveraged by over \$80 million providing a leverage of 6 times. See Table 1 and Graph 1 for details.

Table 1: Total Amount of Leveraged Resources by Sida PFIS Phase I financing (2012-2015)
in US Dollars

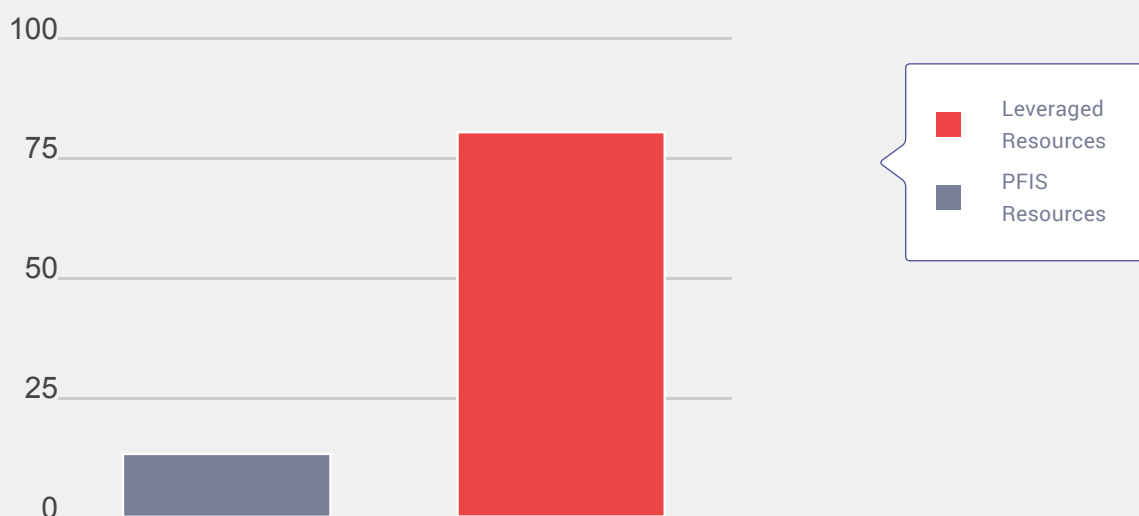
Global Programme	Sida PFIS Funding	Leveraged Financing	Partners
Mobile Money for the Poor	4,356,168	38,300,000	MasterCard Foundation, Bill & Melinda Gates Foundation, USAID, Metlife Foundation , Australia DFAT and DANIDA (parallel)
CleanStart	2,588,000	8,603,413	Government of Liechtenstein, Austria ADC and Norad
Making Access Possible	1,616,916	9,972,265	In-country RM, IFAD, Luxembourg and UNDP
Local Climate Adaptive Living Facility	2,197,347	21,751,315	In-country RM, Sida Cambodia, EU/GCCA, Sida Booster Fund, Government of Liechtenstein
Local Finance Initiative	2,221,220	2,158,973	One UN Fund Tanzania
Inclusive and Equitable Local Development	470,721	0	
Total (PFIS resources)	13,450,372	80,785,966	Leverage factor: 6

The non-financial leveraging is often overlooked but is equally important. A key part of this is the access to global knowledge, networking and all the knowledge generation and dissemination. MAP produced diagnostic reports in three countries

(Myanmar, Lesotho and Swaziland), and brought together to the table all the key stakeholders in the area of financial inclusion. This led to the Government of Myanmar adopting the MAP Roadmap for Financial Inclusion in 2014. UNCDF co-organized with

PAMIGA a forum on innovations in clean energy and water access through microfinance in Addis Ababa in October 2014 with over 100 participants from 10 countries in Asia and Africa.

Graph 1: PFIS Leverage: Resources Mobilized



PFIS Global Programmes – Financial Performance

The following is an overview of the financial performance of each of the global programmes funded by the PFIS (2012-2015), based on the official financial reports generated in July 2015.

Table 2: Total Allocation and Expenditures (as of June 30, 2015)

in US Dollars

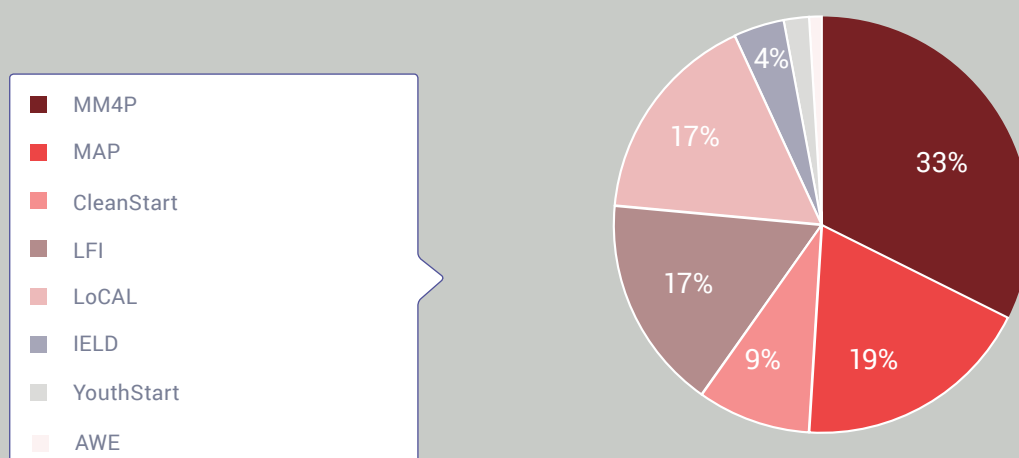
Global Programme	Total Allocations (Cash received in \$)	Total Expenditures	Cash Balance	Delivery
MM4P	4,356,168	3,579,865	776,303	82%
MAP	2,435,352	1,604,864	830,488	66%
CleanStart	1,238,144	695,742	542,402	56%
LFI***	2,221,220	1,579,692	641,528	71%
LoCAL	2,187,821	2,017,828	169,993	92%
IELD *	470,721	156,863	313,858	33%
YouthStart *	88,289	47,325	40,964	54%
AWE **	44,144	-	44,144	0%
Total (PFIS resources)	13,041,859	9,682,179	3,359,680	74%

* Project not yet appraised by Project Appraisal Committee (PAC) in 2015. Both are in the inception phase.

** Under Formulation

*** Includes allocation for LFI Tanzania

Graph 2: PFIS Allocation by Global Thematic Initiative



Graph 3: Delivery on PFIS Resources (2012-2014)

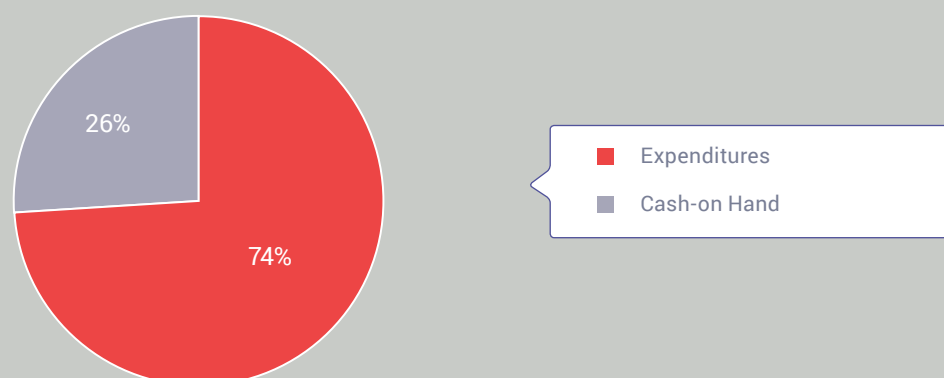


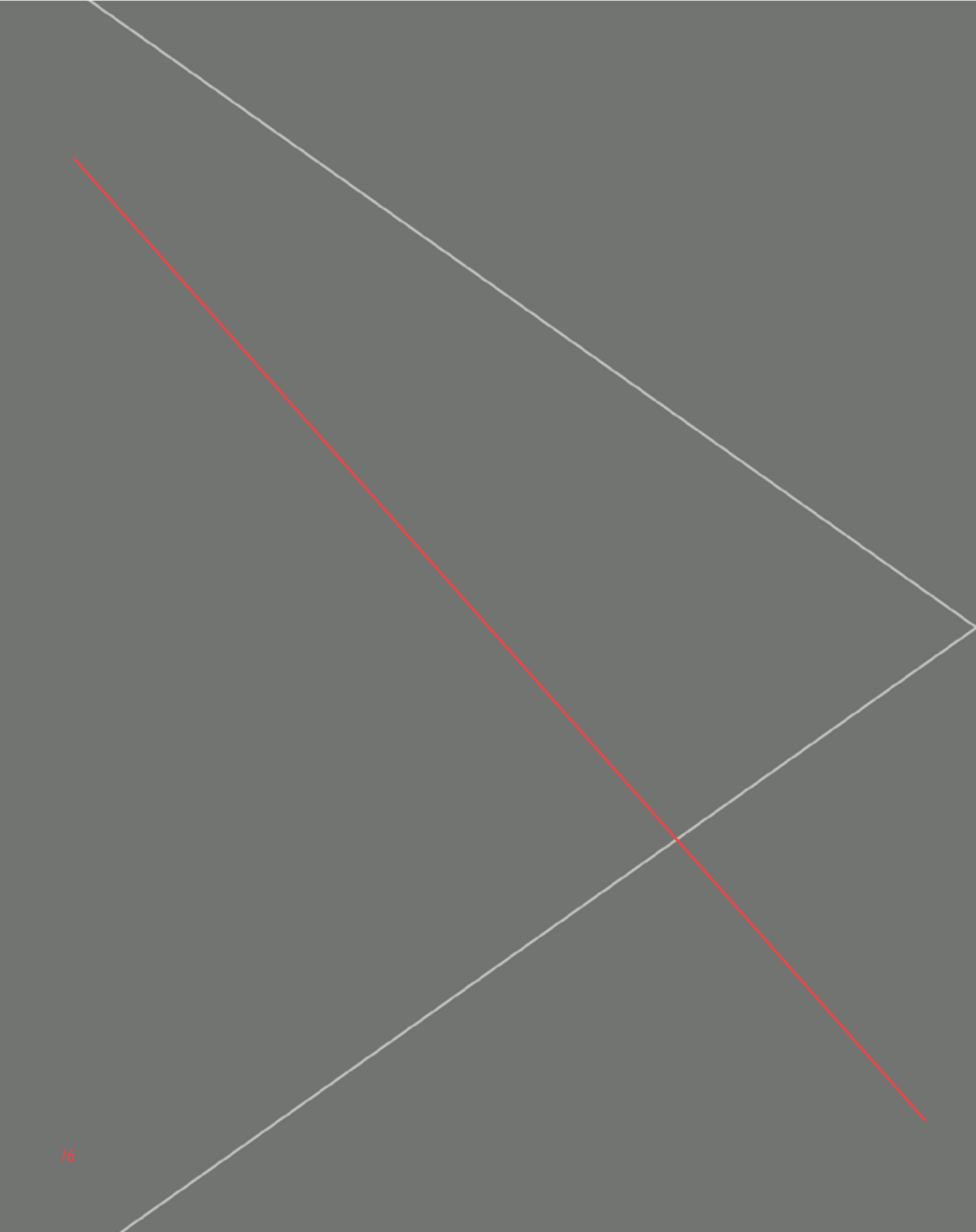
Table 3: Total Delivery on LDGR/Booster Fund as of June 30, 2015

in US Dollars

Global Programme	Total Allocations (Cash received in \$)	Total Expenditures	Cash Balance	Delivery
LoCAL /Food Security	3,021,040	275,266	2,745,774	9%
Local finance Initiative /IELD	3,952,527	113,022	3,839,505	3%
CleanStart	4,229,456	-	4,229,456	0%
Total (LDGR resources)	11,203,023	388,288	10,814,735	3%

(Note: Funds received in December 2014)

Deliveries on the LDGR / Booster Fund against approved workplans are expected to increase in the third and fourth quarter of 2015. The planned activities for the programmes are summarized in the respective "Workplan 2015" sub-sections.



B

Progress of PFIS Funded Global Programmes

**Progress reports submitted for the eight UNCDF
global programmes funded by the PFIS.**

MOBILE MONEY FOR THE POOR — *MM4P*

Programme Overview

Funders, policy-makers and FSPs have struggled for decades in the LDCs to reach the majority of the population with formal financial services. Early efforts to use electronic banking in developing countries began in the 1990s with the introduction of debit and smart cards combined with ATMs, Point of Sale (PoS) and third party agents (such as retail and trading shops), but faced challenges due to high costs of implementation and poor connectivity. Today the expansion of mobile telecommunications in the world's poorest countries, including voice and data services, as well as the proliferation of low cost mobile phones have radically changed the economics of going digital. Almost 42% of the population of the LDCs had access to mobile cellular subscriptions in 2012, up from 34% in 2010 (representing a growth rate of 23%). This stands in contrast to the financial services market where access to finance currently serves an average 14% of the population, but growth is stagnant. This disparity presents an opportunity.

In the past few years, over a hundred new services have been launched, but very few are meeting with success. The Safaricom M-Pesa model based on person-to-person (P2P) transfers is not proving easy to adopt in other countries, particularly smaller and poorer countries. As the Groupe Speciale Mobile Association (GSMA) notes in its 2012 Annual Global Mobile Money Adoption Survey, there is a “two-tiered landscape” characterized by a small number of “sprinters” with a large and increasing number of slow growing and stagnating services. Least developed countries in particular are struggling to build digital financial service markets that work.

Intended Outcome

The goal of MM4P is for households in LDCs to benefit from increased financial security through the use of digital financial services (DFS). This requires that customers regularly use DFS that increase financial security, including receiving and making payments, savings, credit, and insurance. For that to happen, DFS providers must increase investment in DFS, offering a wide-range of products and services on a sustainable basis. It also requires a policy and regulatory environment that encourages such investment and removes obstacles to households accessing services. MM4P's role is to work with all of these stakeholders to build an ecosystem that meets these goals.

Theory of Change

The development of the DFS market is still not widely understood because there are so few examples of success. However using a few of the more advanced countries and taking lessons learned from the development of the banking sector, it is possible to characterize the evolution of the market into four stages: Inception, Start-up, Expansion and Consolidation. The theory of change in DFS focuses on making shifts between stages of market development, moving from inception to start-up to expansion and eventually a mature and consolidating market. These are coordinated actions which will push DFS from inception to a point where societies become “digital” and the industry is consolidated. This involves changes in key components of the ecosystem, including regulation, financial infrastructure, distribution, as well as the financial service providers and customers themselves. Moving from start-up into a solid expansion is proving challenging in most markets. Therefore the primary focus of MM4P is to help and hasten that shift in the markets until they are firmly in the expansion stage. The Expansion Stage requires that at least 10-15% of the adult population is actively using Digital Financial Services (DFS), a level at which there would be demonstration of traction which would sustain further development.

Outcome and Results

In the two years of its existence so far, MM4P has developed and tested promising approaches geared to the realities of mobile money in least developed countries. This has happened in an environment where all stakeholders are still struggling to determine how to build successful digital financial services markets. This has required changing mindsets that promote policy change, greater customer orientation and more private investment in DFS. This promise has been recognized by the award of substantial additional funding from two new donors in 2014 to scale up the programme to an additional four countries.

1

Malawi

Malawi reaches over 350,000 active adult users, an increase of 348,000 since 2012.

Public-private DFS Working Group has been established to create the first industry-wide forum to discuss issues and resolve problems.

4

Lao PDR

Bank of Lao PDR issues mobile money guidelines to allow both bank and non-bank actors to apply for licenses for mobile money operations.

Public-private DFS Working Group has been established to create the first industry-wide forum to discuss issues and resolve problems.

2

Nepal

Nepal reaches over 100,000 active adult users (<1%), from 2,500 in 2012.

NCELL, the largest mobile network operator in Nepal, approves business plan to enter the digital financial services market.

The largest remittance provider in Nepal agrees to work on a business plan to enter the DFS market.

Public-private DFS Working Group has been established to create the first industry-wide forum to discuss issues and resolve problems.

3

Liberia

Central Bank of Liberia introduces new mobile money regulations that allow for non-bank operators to offer services.

5

Uganda

Public-private DFS Working Group has been established to create the first industry-wide forum to discuss issues and resolve problems.



Summary of Challenges, Delays, Results and Achievements during the period

Country Level	Programme Level	Operational Results	Achievements
<ul style="list-style-type: none"> Providers in Malawi and Liberia face platform challenges, causing delays while new platforms are identified and implemented – MM4P has shown flexibility in its agreements to allow for necessary technology changes, without which progress is difficult to make. Change in leadership of Airtel Malawi and announced privatization of Malawi Savings Bank (MSB), slow implementation of technical support – MM4P has engaged the new leadership to win their confidence and support. Slowness in ability to enable regulators in Uganda, Nepal and Lao PDR to provide greater regulatory flexibility – MM4P has dedicated more effort to regulatory work, including prioritizing assistance to regulators based on their requests. Ebola outbreak stopped planned partner support activities – MM4P reassigned its technical expert to work on ebola recovery work helping to digitize payments to health workers. 	<ul style="list-style-type: none"> MM4P team stretched thin to manage implementation in 8 countries – MM4P has reorganized its staffing structure in the expansion programme to increase local presence, including putting all technical team members in the field. Recruitment and contracting of right DFS experts and international staff in Senegal and Zambia extended to find better candidates –MM4P has placed long-term consultants in both countries to initiate activities. New positions in Brussels delayed while UNCDF finalized its restructuring – This is now finalized and underway. Managing cooperation and coordination with UNCDF MAFIPP (Lao PDR) and UNNATI-A2F (Nepal) programmes create parallel procedures – MM4P has added a Finance/Administrative Staff person to handle additional work load. Lack of funding for Malawi and Liberia for planned activities beyond 2016 hinders long-term planning with partners – MM4P has redoubled efforts to raise funds for these two countries. 	<ul style="list-style-type: none"> MM4P'S Project Management Unit (PMU) remained the same in the last period with 3 1/3 full time equivalent staff and one full time and two part time consultants. In the field it partially supports 3 country advisors (Malawi, Nepal, Uganda). Due to UNCDF's restructuring as well the necessary internal approval of the MM4P Programme Document for its expansion, MM4P received permission to begin recruitment of country posts in late in 2014. Approval of the posts in Brussels is in early 2015. During the period it added a full time DFS expert consultant in the PMU to assist the team in managing the expansion of in-country activities and help finalize many of MM4P's internal procedures and templates. A major challenge has been the volume of procurement, including individual consultants and firms, to provide support to the growing number of UNCDF partners. Additionally, UNCDF has been begin working with UNDP offices in the expansion countries to support the new country teams to be hired in the coming year. 	<ul style="list-style-type: none"> Staffing strategy proposal with new organizational chart submitted to UNCDF and approved. All job descriptions for new positions completed with international posts approved and Brussels posts pending final approval. Recruitment launched for Technical Specialist posts in Zambia and Senegal. Lateral move for the MM4P's Technical Specialist (François Coupienne) to Uganda from where he will lead the expanding technical team. As the team leader, he will directly oversee and coordinate the technical specialist and DFE Expert consultants in all countries. Successfully completed two internal audits. Set up a project office in Uganda (provisionally with UNDP until the project needs to expand). Added a new firm, Planet Finance, to UNCDF's long-term agreements (LTA) for DFS. Four new consultants and support staff joined the Project Management Unit (DFS, Communications Results Measurement Specialist, Programme Assistant).

MM4P STORY

— *Hin Heup Village, North Vientiane Province, Lao PDR*

May 2015



01

With the UNCDF support, BCEL, the largest retail bank in Lao PDR, has launched the first DFS over the counter service via agents: BCEL Community Money Express (BCOME). On 12 May 2015, BCOME performed its first live transactions. The first branchless banking agency in the Lao PDR is now live!

Mr. Hom is an accountant for the local hospital. He owns with his wife a stationery shop in Hin Heup village which is located in a mountainous area. It takes about an hour by car to reach the nearest bank branch in Phonhong (North of Vientiane Province, 23km from BCEL Phonhong Branch and 93km from Vientiane).

Mr. and Ms. Hom received the BCOME team at their shop for the initial agent training. After the 2.5 hour training session covering all aspects of his role as an agent, Mr. Hom was ready to perform his first live transactions: Cash to Cash (OTC, both sending and receiving) and Cash to Account.

Mr. Hom was impressed with how easy it is to use BCOME and he says that the availability of these services represent real progress in his community. He is proud to be the first operational BCOME agent, and he imagines the day when every village in Lao PDR can have one agent like himself.



02

- 01. Mr. Hom received the BCOME team at their shop for the initial agent training.
- 02. Mr. Hom is an accountant for the local hospital. He owns with his wife a stationery shop in Hin Heup village



MM4P STORY

— Uganda's National Payments Bill & Act

June 2015

Agents of change: that's how we at MM4P Uganda programme view our role. For Financial Inclusion to truly be a reality in Uganda, the MM4P programme understood the need to support the development of the ecosystem by facilitating dialogue, collaboration and co-operation amongst key stakeholders.

It was a great joy to see the Director of National Payments (Bank of Uganda) and meet the Assistant Commissioner (Ministry of Finance) for the first time ever. This meeting took place at the Payments Diagnostic Dissemination Workshop organized by MM4P in June 2015.

Thanks to that meeting, the Director of National payments and the Assistant Commissioner are finally able to collaborate and move Uganda closer to being a more financially inclusive country.

"We have a National Payments Bill and Act under draft. I need to be able to send those documents to someone at the Ministry of Finance. Today I agreed with the Assistant Commissioner [of the Financial Services Department] that he would assist in pushing our policies up the MOF, that partnership is a result of the work of [MM4P Uganda]".

— Joyce Okello, Director, National Payments Systems, Bank of Uganda



01. Payments Diagnostic Dissemination Workshop organized by MM4P in June 2015.

Lessons Learned

1

The programme needs more specific country level targets.

In the coming months, UNCDF will introduce a results measurement framework with programme level and country level targets, allowing targets to be set according to country context. Targets will be focused on outcomes, rather than activities or outputs, to allow for flexibility in reaching outcomes.

2

Some challenges and tensions have arisen in partnering with GSMA and others on policy issues, based on differing opinions, priorities and philosophies. With its own goals and activities, GSMA is not able to immediately address MM4P needs.

It was agreed that work with GSMA would focus on two countries of mutual interest (Uganda, Senegal), where GSMA has an interest in implementing a regulatory diagnostic tool.

Cooperation has ceased in Lao PDR and will be done in other countries on a case by case basis.

UNCDF will redouble efforts to raise funds for policy work, which it lacks in Benin, Senegal, Zambia and Liberia.

3

Large Mobile Networks Operators (MNOs) continue to suffer turnover of staff and management and are slow to assign resources to MM4P cooperation.

MM4P will engage with CEOs in country.

MM4P is increasing contact with the regional/corporate mobile money management. This may involve MOUs at the corporate level to raise the priority level internally.

4

Follow up after short-term technical assistance not strong enough or well-documented.

MM4P will seek to maintain engagement with key implementing partners over time through longer term contracts, not allowing work to lapse between agreements.

End of project calls with senior management should be included in the TOR going forward.

5

Over a year, significant changes in the market can occur, including emergence of potential new partners. Planning and contracting needs to maintain flexibility to work with the emerging players.

Country strategies should be updated every 12 – 18 months with programme manager participation.

Work plans should be limited to a one-year period so as to not over plan interventions.

Country level LTA contracts should leave extra time to work with new partners as they are identified.

6

Several other UNCDF programmes now acting in the DFS Space, which could lead to confusion.

MM4P plans to hire Technical Specialist to provide quality assurance on DFS project throughout UNCDF.

UNCDF will organize regular "country calls" with multiple programmes to ensure coordination.

Resources

Through its current agreements, UNCDF has a funded budget currently at \$38.3 million to carry on the programme activities until 2019. It estimates the total cost of the programme through 2019 is \$48.6 million. MM4P is meeting this gap by programming in cooperation with other UNCDF programmes, namely MAFIPP in Lao PDR and UNNATI-A2F in Nepal, which jointly are allocating \$3.3 million to DFS. This leaves a gap of approximately \$7 million, primarily for activities in Malawi and Liberia.

Fundraising Update

- The internal procedures for approving the MasterCard funds (\$24.9 million for full expansion into 3 sub-Saharan African countries) and receiving the first disbursement were met.
- UNCDF approved Programme Expansion Document with increased UNCDF commitment of \$866,000.
- MM4P concluded an agreement with MetLife Foundation, its first to UNCDF, for \$250,000 to be implemented in Nepal starting in 2015.
- MM4P concluded negotiations with

USAID for \$250,000 to be used in Malawi to support the government's digitization programme. This included expanding USAID's current agreement with UNCDF (for BTCA) to include MM4P and the possibility of future funding.

- MM4P submitted a proposal to FSD Africa for \$180,000 to support activities of mutual interest in Liberia. This agreement has been put on hold until the Ebola crisis has eased.

Workplan 2015

In summary, for 2015 MM4P intends to continue and scale up the ecosystem approach already tested in Malawi, Nepal and Laos by working in more concrete solutions via product development and pilots for specific target groups (including women, the poor and rural populations).

MM4P will also try to reinitiate activities in Liberia within the Post Ebola recovery efforts.

In parallel the programme will be consolidating operations in Uganda, launching the first round of technical assistance and laying the ground work for some grants.

Finally MM4P will be initiating a number of activities (notably market research, baseline measurements and approaching the different DFS stakeholders to build capacity as well as buy in) in the expansion countries financed by MCF, Benin, Senegal and Zambia.



MAKING ACCESS POSSIBLE — *MAP*

Programme Overview

There is growing evidence that financial sector development contributes to a reduction in poverty and inequality. There is a lack of reliable data that governments can use to take decisions that supports financial inclusion.

MAP is a multi-country financial inclusion programme that offers a powerful platform to encourage private sector investments in expanding financial inclusion, by supporting critical market data-driven investment decisions and setting up an enabling environment that will incentivize those investments. MAP is also becoming a powerful engine for South-South cooperation, fostering peer-to-peer learning among countries, by leveraging global platforms like the Alliance for Financial Inclusion, or regional ones like the Association of Southeast Asian Nations (ASEAN), Southern African Development Community (SADC) or the West African Economic and

Monetary Union (UEMOA).

MAP adopts a livelihood approach, moving from just an understanding of the financial landscape from only an institutional or product perspective to understanding the financial landscape within the context of people's lives and realities through detailed integrated demand side research, that can be disaggregated to better understand gender, age, spatial and other dimensions of access and use. This enables interventions that can better contribute to the sustainability of livelihoods. MAP supports other global initiatives on financial inclusion, including G20 initiatives, and the AFI Maya Declarations. MAP is a powerful tool to translate the Maya commitments into reality. The MAP framework has been developed by UNCDF in partnership with FinMark Trust and Cenfri and is intended to become a public good that can advance the global financial inclusion agenda.

Intended Outcome

The outcome for the MAP programme is envisaged as the development of national financial inclusion roadmaps identifying key drivers of financial inclusion and recommending appropriate national action. The primary focus of MAP is to help governments create an environment that promotes an accelerated market development for financial inclusion,

contributing to sustainable financing for development through the provision of reliable data that helps to bring all stakeholders to the table.

Theory of Change

The MAP programme is the only global programme collecting data in a systematic manner and which includes a comprehensive stakeholder process. This has enabled a data-driven process of evidence-based policy-making to bring about change. Additionally, MAP is ensuring the implementation of the roadmap priority areas.

Outcome and Results

The government of Myanmar accepted the roadmap designed by MAP as the Roadmap for Financial Inclusion in the country.

MAP pilot phase commenced in 2012 and lasted until 2014. The global expansion of MAP started in 2015. MAP is moving quickly towards the target set in the PFIS Results Resources Framework (RRF). In only two years (2012-2014), MAP was being implemented in 14 countries. National financial inclusion roadmaps were developed in 3 countries .

The status of the MAP country implementations as at December 2014 is shown in Table 4.

1

Nationally representative evidence was gathered on 13 countries. This included a robust combination of demand and supply-data

2

Countries are enabled to meet their national commitments to financial inclusion through the development and implementation of a country roadmap and strategy.

3

Increased visibility and global advocacy for MAP was gained through large global fora namely AFI, Consultative Group to Assist the Poor (CGAP) which are using MAP M&E methodology and including MAP approach in their handbook on financial inclusion.

4

MAP toolkits were launched globally at the Alliance for Financial Inclusion (AFI) in 2014.

Figure 2: MAP Theory of Change

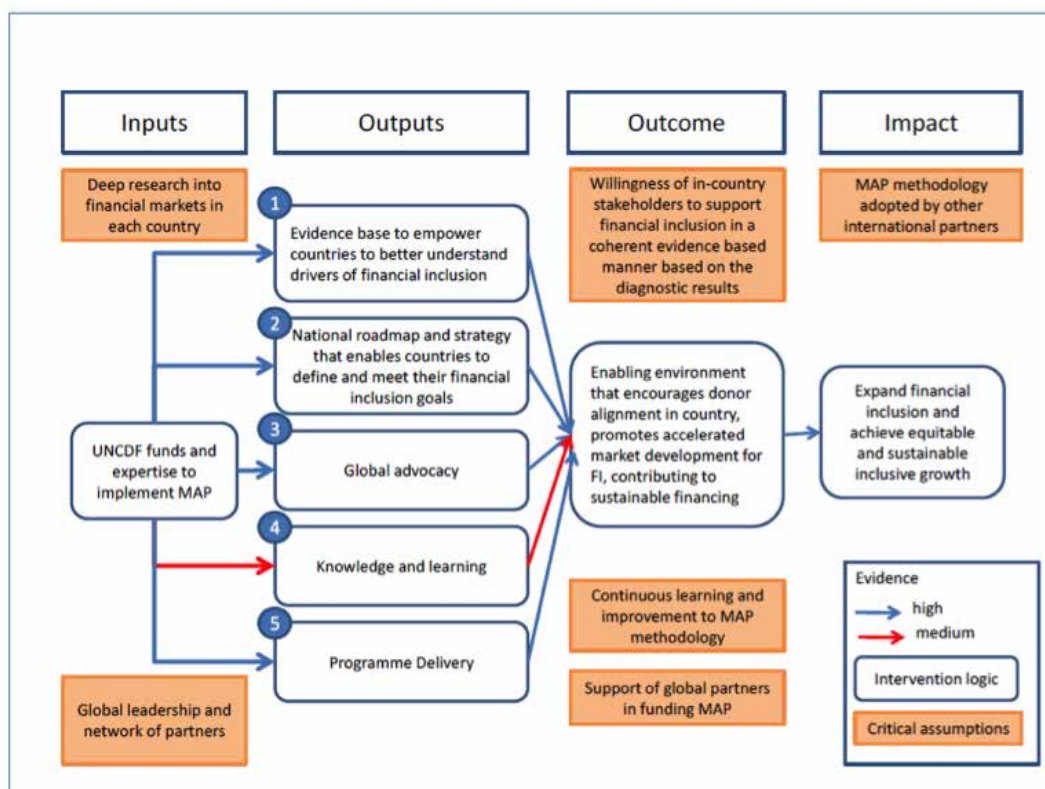


Table 4: MAP Implementation Status as of December 2014

Country	Status	Next step
Africa		
Democratic Republic of Congo	FinScope complete	Complete diagnostic and roadmap
Lesotho	FinScope, Diagnostic, Roadmap complete	Programming
Swaziland	FinScope, Diagnostic, Roadmap complete	Programming
Malawi	FinScope complete	Complete diagnostic and roadmap
Zimbabwe	FinScope underway	Diagnostic, Roadmap
Botswana	FinScope underway	Diagnostic, Roadmap
Madagascar	Working on obtaining Government buy-in	Obtain buy-in, complete ToR and budget
Zambia	Finalise working arrangements with FSD	Complete project planning for MAP
Mozambique	FinScope finalisation and diagnostic underway	Complete diagnostic and roadmap
Asia		
Myanmar	FinScope, Diagnostic, Roadmap complete	Programming
Nepal	FinScope underway	Diagnostic
Lao PDR	FinScope underway	Diagnostic
Cambodia	Budget finalised. Working on obtaining Government buy-in and finalising project documents.	Obtain government buy-in

Summary of Challenges and Delays during the period

The costs of collecting demand-side data were not foreseen. Surveys are extremely expensive and as a result, the programme was unable to immediately undertake data collection in 16 countries as envisaged in the pilot. However, the risk was mitigated by the significant co-funding raised at the country level which enabled the roll-out of MAP in 13 countries.

MAP — Expansion Phase

Since its establishment the MAP programme has made remarkable progress, including significant leverage of funding at country level, over and above the initial seed funding received from Sida. The following achievements can be recognised to date:

- Testing, clarification and update of the MAP methodology throughout the implementation process;
- Identification and development of a clear set of outputs and deliverables relevant to the methodology and the objectives of the country programme. The output documents and the analytical framework have been further strengthened and clarified;
- The stakeholder process was tailored to the cultural and organizational context of each country and the capacity of the lead MAP partner, which has allowed UNCDF to both test and codify the various operational mechanisms for working at the country level;
- International recognition of MAP and its methodology have created positive momentum, largely through a strong stakeholder and evidence-based approach;
- Harmonized mechanisms of working at country level. Embedded within MAP is the bringing together of stakeholders. The experience of implementation

reflected the significant challenges of bringing stakeholders together, but is integral to the programme -- it challenged country coordinators and regional technical advisors to achieve this goal;

- A team approach to working together within the MAP partnership was adopted and also with the various internal UNCDF teams in order to leverage their respective strengths. The role of various operational structures within MAP (including the FIPA team, country level coordinators, regional advisors, the FinScope team, the Cenfri team and external consultants) were fine tuned and driven by strong project management;
- A comprehensive set of toolkits to undertake a MAP diagnostic was launched at the Global Policy Forum of AFI;
- A clear operational approach to delivering the country implementations was developed;
- Regular feedback and communication channels were established within the partnership to ensure that the methodology is current and updated.



01. Newspapers clips from Lao PDR and Malawi on Making Access Possible (MAP)

Lessons Learned

that have been taken through the process to enable MAP to start engaging with global funders for expansion funding. The focus of the next phase will be on expanding to more countries to better demonstrate the methodology and practical experience, as well as elements of programming.

- In order to demonstrate value and ensure innovation through the learnings during implementation of phase 1, MAP will need to selectively support programming either directly or through its constituent partners. This will also ensure that momentum within Government is maintained. Such support includes creating and sustaining a champion for financial inclusion and the MAP agenda.
- Overall, lessons learned from MAP give strong justification for the evidence-based stakeholder approach, obtaining government endorsement upfront and ensuring ongoing involvement. To alleviate the long lead times under the MAP expansion programme, countries where a process has already been started, or where the government is already interested, will be

incorporated earlier in the process to introduce MAP and begin the endorsement process.

Potential for and additional benefits of Scaling-Up: The MAP expansion programme offers an opportunity to roll out MAP to new countries and to support and strengthen existing MAP roll out programmes in the pilot countries which have already entered the programming phase, in order to have more impact at the country-level. Work in additional countries will enhance the MAP global agenda, growing the wealth of available information and insights, and benefitting future MAP implementations.

Growing interest in MAP globally: Demand for the MAP diagnostic has led to interest from many potential funding partners, and these are ongoing. It has also led to discussions with potential implementation partners, such as the regional centers of excellence in microfinance/financial inclusion in CES/CIS region (Eastern Europe, Caucasus and Central Asia) in partnership with the Warsaw-based Microfinance Centre (MFC) and in MENA with CGAP.

Need to maintain momentum:

MAP has gained significant momentum so far by progressing as expected, and remaining on track to meet its expected results. The Financial Inclusion Practice Area (FIPA) has gained tremendous insight during this programming period on key stages of the programme.

- In Phase 1, FIPA has been able to test the methodology, develop toolkits and stakeholder process, and develop the roadmaps. There is a critical mass of countries

Potential for impact: By allowing an enabling environment for financial inclusion to be created and sustained, MAP creates impact in terms of (i) number of clients reached (adults, women and small businesses), with a framework created to enable government and donors to invest in the areas most likely to have impact on financial inclusion and (ii) significant demonstration effect on the industry, where successful MAP countries will encourage other countries and development partners to follow suit, tailoring the approach to their own unique circumstances. It will also encourage private sector investments in expanding financial inclusion by providing critical market data driving investment decisions and setting up an enabling environment that will incentivize those investments.



Resources

This section includes total approved budget and summary of resources available to the programme component from core and non-core resources, identifying the donors.

The MAP pilots were successfully funded, with MAP leveraging UNCDF core funding by a factor of 23, as indicated in Table 5. The funding for the pilots, includes core, non-core and parallel funding. PFIS funds were leveraged **by a factor 6.5**.

Table 5: MAP Pilot Funding 2012 – 2014

in US Dollars

Type of Funding	Partner	Amount
Core	Total	500,000
	Luxembourg thematic contribution	398,406
	Sida	1,616,916
	UNDP Myanmar	438,838
	LIFT Myanmar	297,025
	AusAID (PDR)	600,000
	DFID Nepal	1 064 996
Non-core	Total	4,416,181
	UNDP Ivory Coast	179,000
	Government Ivory Coast	94,000
	ADB (Thailand)	1,000,000
	FinMark Trust (SADC countries)	5,400,000
Parallel	Total	6,673,000
Total		11 589 181
PFIS Leverage Factor		6.5

Workplan

The strategic focus for 2015 is to continue to realize the outcomes identified.

Diagnostics are planned in 2015 for the Democratic Republic of Congo, Madagascar, Botswana, Zimbabwe, Cambodia and Vietnam. Roadmaps will be completed for Malawi, Botswana and Zimbabwe. A MAP refresher has also been planned for Myanmar to update the numbers and follow up on the market movement since the last MAP diagnostic.

Time will also be spent building the pipeline agenda for 2016 for MAP to commence. Potential new countries to be added to the schedule include: Togo, Ethiopia, Burkina Faso and Rwanda. To complement UNCDF's global advocacy efforts, MAP will also seek to build further knowledge partnerships with knowledge focused organizations, academia and advocacy groups. Institutions

that can assist with both the capacity to develop thought leadership papers as well as to provide the brand recognition needed to gain academic and global credibility will be identified. MAP outputs and diagnostics will be presented at the AFI Global Policy Forum to the National Financial Inclusion Strategy Working Group and will be on the main agenda.

Significant effort and focus will be spent on developing the public face of MAP through the website, developing a data strategy and the full branding of the MAP outputs. Global advocacy efforts and fund-raising in particular will be ramped up for the programme.

For 2015, significant focus and attention will be spent on bedding down MAP operations, including new staff to expand the capacity of MAP. A number of MAP templates around the stakeholder process, presentations to government and other stakeholders have been individually developed at country level and these will be consolidated.

Together with the toolkits, the MAP pro-doc and the final templates, this will create an end-to-end knowledge sharing space for MAP and ensure easier implementation both within UNCDF's large global team and for other donors. Effort will also be spent on additional capacity development for FinScope and the supply and regulatory analysis.

Additionally, MAP is generating new data and insights around financial behaviour for the low income population and these will be used to generate new programmes and insights. The MAP data will be used to identify low-income customers to develop relevant products and services for them. Additionally, a partner bank will be identified to implement the programme and offer the products and services developed. This is meant to be a pilot programme to test the applicability of creative innovation and the potential of the low-income market to take up agricultural products.

CLEANSTART

Programme Overview

Each year, the poor spend \$37 billion on poor-quality energy solutions to meet their lighting and cooking needs. In both urban and rural areas, the upfront costs of purchasing or using cleaner energy are high for the poor, leading to underdeveloped markets and weak supply chains.

In countries with growing market for clean energy solutions, efforts to expand the provision of clean energy to low-income consumer segments now depends less on the technology and more on improved financing and distribution models to make energy accessible and affordable to low-income consumers. This has to be backed by a policy environment and energy value chain that is focused on reaching the poor.

Intended Outcome

The CleanStart programme's vision is to dramatically expand consumer financing for low-income consumers

who want to transition to cleaner and more efficient energy.

As a result of having access to modern energy, such as efficient cook stoves and solar powered lights, women and girls are freed from menial labour and children can study longer under brighter lights. Health improves with less smoke in the kitchen, as does the ecology in which communities live by reusing human and agricultural waste as fuel source and saving trees with alternative fuels. Shops can open for longer hours and power appliances which diversifies incomes of small entrepreneurs.

Theory of Change

Globally, innovations in decentralized energy present unprecedented opportunities for businesses to serve the "last mile" of the energy market. There is significant potential for market growth, but much more could be done to catalyse and scale commercially viable businesses that offer value to low-income customers. CleanStart addresses a particular financing gap that energy businesses face and commercial investors fall short of providing risk-sharing, flexible financing to test and refine business models. CleanStart provides the catalytic capital that energy enterprises and financial service providers need to scale energy

financing solutions for low-income customers.

Examples of this could include a small local bank providing loans for biogas digesters, an entrepreneur selling solar-generated electricity to a community, or a national-scale energy business financing a simple technology through a mobile payment platform.

In effect, CleanStart's approach is about creating the conditions for these models to scale and leveraging commercial investments to make that scale happen to benefit a large number of low-income consumers over time.

Outcome and Results

Outcome

CleanStart is engaged in a dynamic and increasingly competitive segment of the clean energy access market. The assumption that appropriate financing is required to enable low-income clients access to clean energy products and services has so far proven correct. However, microfinance institutions have not evolved as a primary vehicle through which such financing is being delivered. Many markets have moved beyond financial service providers (FSPs) through technology advancements and energy service providers (ESPs) assuming a financing role, particularly with digital finance.

CleanStart is now positioned and resourced to contribute to the implementation of approaches that will increase sustainable access to clean and affordable energy through financial inclusion through end user finance to low income consumers, whether via financial institutions or through energy service providers directly.

All in all, CleanStart offers a new and exciting opportunity to link financial inclusion directly to access to basic services such as energy, information and communication.

Results

In Nepal, more than 10,000 poor people had access to clean loans and financing as a result of CleanStart's support. This has been achieved by partner financial service providers. CleanStart is also supporting the Government and Development Partners in capacity building for the \$120 million Central Renewable Energy Fund (CREF).

In Africa, CleanStart is building its footprint in Uganda and Ethiopia. The country strategy for Uganda was approved by the Government in December 2014, and two financial service providers have been identified through on-site, one-on-one support on business plan development.

In Ethiopia, a country strategy was designed in close coordination with a new UNDP and Global Environment Facility (UNDP-GEF) project. CleanStart will also help set up a guarantee fund with the Development Bank of Ethiopia to partially guarantee capital investment or working capital loans to energy enterprises.

Serious advances were made in developing an M&E infrastructure for CleanStart, with a pilot for a baseline/ impact survey (using smart-phones for real-time results) to measure the impact of clean energy on client's energy situation and other aspects of their daily lives over a three-year period. This is currently underway.

UNCDF and the Participatory Microfinance Group for Africa (PAMIGA) co-organized a forum on

'Innovations in clean energy and water access through microfinance' in Addis Ababa, Ethiopia in late October 2014. More than 100 people from 10 countries in Asia and Africa from the energy access sector participated, resulting in new partnerships and validating CleanStart's increased involvement in directly supporting energy service providers.

Summary of Challenges and Delays during the period

Wholesale institution partners are one step removed from their retail partners in Nepal.

CleanStart dedicated two consultants to Nepal to provide technical assistance to financial service providers and the Alternative Energy Promotion Center, CleanStart's government implementing partner.

Government implementing partner in Nepal was disengaged for the first half of 2014 due to institutional issues.

CleanStart assigned local staff to support AEPC by setting work priorities together based on discussions with partner FSPs and wherever possible, worked with partners to make sure programme stayed on track.

Getting traction is difficult without dedicated project staff in-country.

CleanStart has embarked on a local staff hiring campaign for all countries in which is actively present in 2015.

Operational collaboration between CleanStart and UNDP-GEF project proved a challenge.

CleanStart worked intensively with UNCDF and UNDP HQs to set robust collaborations principles.

PAMIGA achieved less than the Year 1 minimum outreach target, given its work with remote and rural financial service providers.

The next tranche of payment was delayed until performance is improved.

CLEANSTART STORY

— *one year down
the road*



01

CleanStart’s two financial institution partners in Nepal—Jeevan Bikas Samaj (JBS) and Sana Kisan Bikas Bank Ltd. (SKBBL)—have big ambitions. SKBBL wants the homes of all member farmers, totaling 384,000 households, to be smoke-free and lit through solar energy. JBS aspires to be the Grameen Shakti of Nepal. It is not only providing energy loans but also setting up JBS Urja, a renewable energy company, to provide the product, the financing and the service that clients deserve.

The ability to offer a captive market places SKBBL and JBS in a good position to negotiate prices for their clients. In fact, the solar home systems

they offer are about 3,000 NPR (\$30) cheaper than market price. On top of this, SKBBL offers their energy lending at a one percent lower interest rate compared to their regular credit products.

Finding solutions locally JBS and SKBBL continue to see an increasing demand for solar home systems in the communities that they serve, while the demand for improved cooking solutions, including more efficient cook stoves and biogas digesters, has been relatively slow. The biggest challenge comes from the lack of technical expertise available in rural communities in installing and maintaining these systems.

Both companies, however, know that the best solutions to such challenges can often be found within the communities themselves.

For example, JBS is using its training center in Biratnagar, located in the eastern part of Nepal and also where JBS’s head office is, to train local people who have engineering skills on installing and maintaining biogas systems. JBS is also looking into buying, through their energy company JBS.



02

01. Chatreaurali Village Development Cooperative in Nepal’s Dhading District is one of the hundreds of farming cooperatives that SKBBL supports.
02. Members of the Chatreaurali Village Development Cooperative in Nepal’s Dhading District. This cooperative is one of the hundreds of farming cooperatives that SKBBL supports.



CLEANSTART STORY

— *Making
Solar Energy
Accessible Through
Microfinance
with PAMIGA
partnership*

How can a multinational company and a non-profit organization combine their skills to improve access to energy for the poor?

Schneider Electric is a French company specializing in electrical distribution and the world's largest manufacturer of low- and medium-voltage equipment; PAMIGA is an international NGO providing technical assistance to 16 rural microfinance institutions in sub-Saharan Africa. The two organizations are working together to address the issue of energy poverty, each bringing its unique expertise and resources to the table.

We sat down with both organizations to get a clearer understanding about what motivated them to create this partnership and the key lessons they have learned.

What has been achieved so far?

PAMIGA: So far, the Programme has been launched in three countries—Cameroon, Ethiopia and Tanzania—with seven microfinance institutions now offering financial products such as microloans and savings accounts that are designed to help poor clients purchase solar products such as lanterns and solar home systems. All the participating

microfinance institutions have been trained on solar technology and now feel confident in promoting the new products and answering clients' questions.

SCHNEIDER ELECTRIC: Since 2013, we have marketed our solar products to over 3,010 clients in Cameroon, Ethiopia and Tanzania through technology demonstrations and promotional activities. As of the end of 2014, 644 rural clients in these countries have been able to invest in a solar kit for lighting and mobile phone charging through microfinance loans. This is only the beginning, as we aim to reach at least 50,000 rural households, 350





03

rural enterprises and 175 villages in a total of five countries in the region, including Burkina Faso and Senegal, by the end of 2016.

What lessons have you already learned from this partnership?

P: Our experience has shown that building a trusted relationship between microfinance and energy companies is essential but remains a challenge. Both parties need to learn how to work together and understand each other's priorities, constraints and ways of working. It may take time but is crucial for the sustainability of such partnerships.

SE: The Programme showed us that in addition to household needs, micro- and small enterprises in rural areas could also greatly benefit from access to solar solutions. Based on feedback from the field, we have developed a new solar home system called the Homaya MS specifically tailored to the needs of micro- and small enterprises.

Communication is crucial for good up-take and proper use of solar solutions. This is why we are currently developing networks of local technicians who are based in the villages we are trying to reach to promote solar solutions and provide after-sales services.



02

- 01. Children in this Oromia region village can now study in the evening thanks to solar lighting.
- 02. A villager in Ethiopia's Oromia Region positions a solar panel from her new solar kit onto the roof of her house.
- 03. The first group of Schneider's Energy Entrepreneurs to finish training in September 2014 will oversee customer service in Cameroon's rural villages.



Lessons Learned

Microfinance institutions should have strong fundamentals in their core business before adding on new product lines. Out of the first seven of PAMIGA's partners, two have stopped energy lending. One partner in Tanzania was facing financial challenges in its core business and therefore the Board of Directors decided to stop all pilots.

Partners are proactive in finding solutions. Many clients are getting solar home systems as a back-up source for unstable electricity supply. A case in point: JBS, CleanStart's partner in Nepal, could not take advantage of government subsidies, which are reserved for off-grid areas. It negotiated cheaper prices with solar lighting companies. These products turned out to be cheaper than subsidized ones. SKBBL negotiated with their farmer cooperatives for a 1% discounted interest rate for energy loans.

Institutional commitment to integrate energy loans into their core business makes a difference. JBS, which is one of CleanStart's high-performing partners, has set up a subsidiary energy company called JBS Urja (which means "energy" in Nepali). This company does marketing, distribution, installation and maintenance of energy technologies. It has 29 technicians on staff and can provide after sales service within 48 hours of customer request. As a result, smaller financial intermediaries operating near JBS are keen to work with them to improve their own energy lending business. CleanStart is considering providing additional grant funding to JBS so they can provide technical assistance to these smaller financial institutions and increase outreach in the areas that JBS is working.

There is seasonal fluctuation in energy loan uptake and clients prefer to buy small-ticket products in cash. The demand for energy loans drops during farming season which is when farmers take loans for agricultural inputs. Then after harvest (around October) the demand for energy loans picks up again. Most of the FSPs are providing loans for mud stoves which are cheap enough for clients to pay in cash up-front. In response to this, JBS and SKBBL are considering bundling their loan products. For example, SKBBL is thinking of combining an agriculture

loan with a biogas loan, while JBS may combine a housing loan with loans for improved cookstoves and solar lighting.

There are not enough local technicians available in rural communities to install and maintain technologies. Partners found it particularly difficult to find good technicians to install biogas digesters and mud stoves in homes. JBS has done a lot of market research on improved cookstoves and tried to find cookstoves from outside Nepal. However, clients have not been impressed with the product citing how long it took to burn. Therefore their strategy now has been to directly work with a group of community women to design mud stoves that satisfies their cooking needs. A hybrid between a metallic and mud stove is being tested out. These activities are closely coordinated with the Alternative Energy Promotion Center and the National Rural and Renewable Energy Programme (RREP) that also seek to address this capacity issue at a national level.

Resources

Table 6 below shows the partners and corresponding amount of co-financing for the programme. **PFIS funds were leveraged by a factor of 7.**

Table 6: Sources of Financing for the CleanStart Programme

in US Dollars

Source of funds	2010-11	2012	2013	2014	2015	Sub-total
Austria	-	389,610	-	-	-	389,610
Norad	-	1,324,153	1,593,822	-	-	2,917,974
Sida PFIS	-	666,917	-	571,227	-	1,238,144
Sida LDGR	-	-	-	-	4,229,456	4,229,456
Liechtenstein	-	-	-	55,481	-	55,481
UNCDF	44,665	50,928	-	-	-	95,584
Total	44,665	2,431,608	1,593,822	626,708	4,229,456	8,926,259



Workplan

In 2015, while CleanStart continues to work on the consumer financing side, it is taking it a step further to finance the energy value chain through guarantees and results-based grants to energy enterprises. Through a mix of interventions CleanStart will balance:

- systemic change and fast results/ impact
- innovation and growth/scale
- FSP lending and enterprise-led lending.

By the end of 2015, CleanStart expects to have achieved:

- at least 55,000 new people with access to clean energy;
- footprint in at least 4 countries including Nepal, Uganda, Ethiopia, Tanzania and/or Cambodia;
- indirect country footprint through strategic partnerships in Senegal, Burkina Faso, or Kenya;
- directly assist at least 9 financial service providers (FSPs) to expand their energy loan portfolio;
- provide risk capital to at least two energy enterprises through guarantee or results-based grants;
- support at least one wholesale energy fund in setting up a guarantee or technical assistance facility for partner banks;
- see early results from consumer impact research from Nepal and at least one African country;
- have four new CleanStart team members recruited at the global and country levels;
- start the mid-term evaluation process.

Below are some of more details on selected strategic priorities:

Energy lending through Microfinance Institutions

For financial institutions in their second year of lending, modest but important innovations in the way they package their financial products, such as bundling agriculture loans with biogas digester loans to overcome fluctuations in energy loan demand during farming seasons are expected.

In addition to re-configuring financial products, the next challenge for all the financial service providers will be to have a trusted network of local technicians who can provide marketing, distribution, installation and maintenance services from the communities where their customers live.

Microfinance institutions, because they know their communities well, could identify and even finance people who could be trained as energy entrepreneurs. Building this local capacity will be even more important as increasingly clients are taking an interest in larger solar home systems.

Two other opportunity areas will be in client education on how to manage debt from energy loans. PAMIGA has developed a training module on financial education for solar loans. Financial service providers could also start thinking more strategically about how energy loan clients can boost income generation.

For newly selected partners, CleanStart will provide on-site assistance in the process of developing business plans and partnerships with energy enterprises. CleanStart will engage with the Board level management so that there is an institutional commitment to mainstream energy lending into their core business.

Enterprise Financing

CleanStart will launch a Challenge Fund (or a first loss capital facility) to provide risk capital and technical assistance to energy enterprises that want to incubate business models or replicate or expand a proven model. This will likely be introduced in Uganda, Tanzania and Cambodia. The potential size of the grants are:

Innovation grants
(development of new models, new partnerships)
> \$50,000-100,000

Scale/Growth grants
(for replication or expansion of a proven model)
> \$150,000-250,000

Africa will be an ideal test bed for energy enterprise financing from incubation size to more scalable types. For example in Uganda, pay-as-you-go solar lighting companies have exponential increase in funding requirements as they ramp up customer acquisition quickly. However, the issue is not just size of loans, but a need to match local currency repayments with local currency loans. A guarantee, or even more, a first loss position would significantly reduce the interest and collateral conditions imposed by other funders.

Tanzania is where CleanStart could support local energy suppliers of different scales. A fairly large scale solar lighting product supplier would need funding of about \$100,000 – 170,000 to purchase inventory, train local technicians and use as working capital. Smaller distributors or dealers that operate at sub-regional levels need smaller working capital of about \$70,000 for inventory and operational expenses.

In Cambodia, facilitating a partnership between rural energy enterprises and microfinance institutions with mobile money agent networks for (mini-grid) connection loans and electronic bill collection is one business model worth exploring.

By supporting energy enterprises directly through the Challenge Fund, CleanStart can help break very specific market bottlenecks and test new types of consumer financing such as pay-as-you-go, and all the while achieve outreach targets in a much more efficient way.

Strategic Partnerships

CleanStart is exploring a partnership with the Dutch NGO SNV Renewable Energy on Results-Based Financing (RBF) for energy enterprises. RBF uses a performance incentive, instead of an up-front grant or loan payment, to overcome market failures that constrain private sectors from providing energy services to poor people.

The key feature is payment upon delivery. Private sector participants are expected to take the full risk until the moment of delivery of the contracted results. RBF instruments are generally characterised by the following principles:

- Disbursement of funds is contingent on the delivery of pre-determined results (outcomes or closely related outputs);
- Results are broadly defined to allow for product & service innovation by allowing flexibility to service providers;
- Verification acts as the trigger for disbursement;
- Incentives are non-discriminatory, in that all eligible service providers are able to participate on a competitive basis.

RBF can be used not only for energy enterprises, but also microfinance institutions which will strengthen the performance element of CleanStart's

own performance-based grant agreements currently being used. SNV is piloting an RBF initiative in the Lake Zone of Tanzania. This RBF focuses on last-mile distribution of Lighting Africa approved pico-solar products and targets both the local retailers and sales agents as well as the import-suppliers of pico-solar products. The incentive fund is channelled through mainstream banking (TIB Development Bank being selected to host the fund), with SNV involved in overall RBF design, roll-out and technical assistance to the different actors participating in the same.

CleanStart and SNV aim to test this approach across Africa, pending successful outcome of partnership discussions in early 2015.

Monitoring and evaluation

CleanStart is expecting early results of the baseline/impact survey that is being rolled-out with financial service providers in Nepal. Gender-disaggregated data is an important element of this work. Not only will the results be interesting to see, but it is also an opportunity to introduce a new method of data collection to partners. In fact, JBS, which participated in the pilot, is now interested to use the same digital survey platform for its corporate MIS. Also, by working closely with a local solution provider, CleanStart is building their capacity to design and implement energy financing related surveys. If early results of the impact survey are promising, this has the potential to be used by the National Rural and Renewable Energy Programme to improve data transparency related to subsidies and technology installations is important.

CleanStart will also embed energy-related impact questions into financial diaries and Finscope surveys which are used by UNCDF's own financial sector diagnostics (Making Access Possible) in multiple countries in Asia and Africa.

Research, Knowledge Sharing and advocacy

CleanStart will test a research partnership between SolarAid, Global Off-Grid Lighting Association, CGAP and GSMA to provide impact data on how entry-level off-grid lighting, such as solar lanterns, get people up the energy ladder, and whether it has spill-over effects on how much people use mobile phones and mobile money.

This partnership is a win-win because all four parties have a very strong advocacy goal in complementary areas: SolarAid and Global Off-Grid Lighting Association (GOGLA) in kerosene eradication and off-grid lighting; GSMA on the mobile phone and mobile money angle; CGAP and UNCDF on financial inclusion. This research partnership could grow over time to include other partners, and the social capital that backs could be very powerful.

A first kick-off workshop was held during the Sustainable Energy for All Annual Meeting in May, 2015.

Programme Implementation

CleanStart will beef up its in-country implementation capacity in country through new recruitments. A mid-term evaluation will take place towards the end of 2015.

LOCAL CLIMATE ADAPTIVE LIVING FACILITY — *LoCAL*

Programme Overview

Local authorities of Least Developed Countries (LDCs) are in a unique position to identify the climate change adaptation responses that best meet local needs, and have the mandate to undertake the small- to medium-sized adaptation investments required for building climate resilience. Yet they frequently lack the resources to do so – and even more to do so in a way that is aligned with established decision-making processes and public planning and budgeting cycles.

The Local Climate Adaptive Living Facility (LoCAL) provides a mechanism to integrate climate change adaptation into local governments' planning and budgeting systems, increase awareness and response to climate change at local level, and increase the amount of finance available to local governments for climate change adaptation.

Intended Outcome

The goal of LoCAL is to promote climate change resilient communities and economies by increasing financing for and investment in climate change adaptation at the local level in Least

Developed Countries, thereby contributing to the achievement of the newly established Sustainable Development Goals (SDGs), particularly the specific goals of ending poverty (SDG 1) and combatting climate change and its impacts (SDG 13).

Theory of Change

LoCAL aims for 'increased local government access to climate finance to implement climate change adaptation activities in target countries' (programme outcome). It does so by integrating climate change adaptation into local governments' planning and budgeting systems, increasing awareness and response to climate change at local level, and increasing the amount of finance available to local governments for climate change adaptation (programme outputs).

LoCAL applies the principles of fiscal decentralization and effective local planning and public financial management to climate change. LoCAL combines performance-based climate resilience grants (PBCRGs) that ensure programming and verification of climate change expenditures at the local level with technical and capacity building support. LoCAL grants provide a financial top-up to cover the additional costs of making investments climate resilient. They are channeled through existing government

fiscal transfer systems (rather than parallel or ad hoc structures). They are disbursed as part of a local government's regular budget envelope and can thus finance the 'adaptation' element of larger investments, allowing for holistic responses to climate change. LoCAL uses the demonstration effect to trigger further flows for local adaptation, including national fiscal transfers and access to global climate finance for local governments through their national governments.

LoCAL operates in-country through three phases:

Phase I: Piloting. The first phase involves initial scoping, followed by testing in two to four local governments.

Phase II: Learning. The second phase takes place in 5% to 10% of local governments of a country. It involves collecting lessons and demonstrating the effectiveness of the mechanism at larger scale.

Phase III: Scaling-up. The third phase is a full national rollout of LoCAL based on the results and lessons of the previous phases. LoCAL is gradually extended to all local governments, with domestic or international climate finance, and becomes the national system for channeling adaptation finance to the local level.

Outcome and Results

Outcome

In line with the PFIS RRF, LoCAL aims for an “increased investment in local-level climate change adaptation measures in a minimum of 4 countries per region beginning in the Asia-Pacific Region and moving to Africa”.

At the end of 2014, Phase I and II LoCAL programmes had been designed and adopted (Memorandums of Understanding were signed) in seven countries (Bangladesh, Benin, Bhutan, Cambodia, Laos, Mali and Nepal). In addition, scoping work had

been conducted/furthered in four countries, Ghana, Mozambique, Niger and Solomon Islands. At the end of 2014, LoCAL was thus on track to meet and exceed the objective of increased investment in local-level climate change adaptation measures in a minimum of 4 countries per region.

In line with the indicators, this translated into an increase in local government budgets for climate change adaptation activities (representing an amount of \$1,165,410 for PBCRG and related operational costs) and an increase in the number and type of sources of financing for

climate change adaptation accessible for local governments (on top of the support of the government of Sweden, EU Global Climate Change Alliance, the Government of Liechtenstein, UNDP Global Environment Facility and UNCDF).

Results

In 2014, the LoCAL Global Programme achieved its output targets, the full details of which were reported to the Board in March 2015. Notable achievements include:

1

Phase I and II LoCAL programmes designed and adopted (Memorandum of Understanding signed) in seven countries (Bangladesh, Benin, Bhutan, Cambodia, Laos, Mali and Nepal) with \$1,165,410 of the PBCRG together with support for operations delivered.

2

29 local governments representing 4 million people using the PBCRG system.

3

92 small scale climate resilient investments selected and under implementation in Benin, Bhutan and Cambodia.

4

Scoping work to design the LoCAL Phase I conducted/furthered in four new countries, Ghana, Mozambique, Niger and Solomon Islands.

5

As part of the LoCAL phase III, the Performance Base Climate Resilience Grant (PBCRG) mechanism was adopted in the 5 years Local Government Support Development Programme (LGSDP) of the government of Bhutan.

6

Six high-level awareness raising and advocacy initiatives at global level.

7

First LoCAL Global Project Board Meeting held.

8

Those results are explained below in greater details according to the four outputs of the PFIS Results Resources Framework (RRF) in the Annex.

LOCAL STORY

— *Connecting households in Bhutan through a climate resilient farm road*

A good example of a promising 2014 investment is the climate proofing of a 21km farm road connecting 68 households in the Taksha and Silli communities to the Wangdue-Tsirang highway. Built in 2005, the farm road was often unusable due to rain-induced swelling of the Nyerchhu stream during monsoons. It was also vulnerable to rain-induced landslides and surface deterioration at a number of locations due to lack of proper drainage and slope stabilization. These infrastructural shortcomings severely diminished the utility of the road for transportation and marketing of farm products, and delivery of public services, including transportation of supplies to the

community primary school and outreach clinic at Taksha.

The gewog (local government) therefore invested the PBCRG funds to construct a causeway over Nyerchhu, and carried out slope stabilization and drainage works at vulnerable locations in order to improve the climate resilience of the farm road, and optimize its utility and socio-economic benefits to the local communities.



LOCAL STORY

— *Addressing floods and water shortages in Cambodia*

In Moung Ressey District, a flood refuge mount was built in a flood-prone community, to provide a safe place for the local community and animals to relocate during floods. In Thmakoul District, a flood protection dam was built to protect the community from floods, and also serve as a reservoir to supply water to paddy fields located around the dam, while also serving as an alternate road during flood periods. A community pond was built in Bati district, where the community was facing water shortages for household use. The new pond can store enough water for the whole year for use for cooking, drinking, gardening and for animals. The community has even committed to investing in the maintenance of the pond using their own resources to ensure its sustainability and long-term benefits for the community.

More stories are available at www.local-uncdf.org



02

01. A local government official showing the results of slope stabilization and drainage works in Nyerchhu, Bhutan.
02. Aerial view of a flood refuge mount in Moung Ressey District, Cambodia.

Summary of Challenges and Delays during the period

At the end of 2014, Phase I and II LoCAL programmes had been designed and adopted (Memorandum of Understanding signed) in seven countries (Bangladesh, Benin, Bhutan, Cambodia, Laos, Mali and Nepal). In addition, scoping work had been conducted/furthered in four countries, Ghana, Mozambique, Niger and Solomon Islands. Slight delays were encountered for the signature of the MoU in Ghana and Niger. The MoUs for these two LoCAL programmes were signed at the beginning of 2015, enabling the programme to meet or exceed the target of 8 countries in phase I or II (Memorandum of Understanding signed) in the first quarter of 2015.

Lessons Learned

A series of lessons learned can be drawn from the LoCAL experience in pilot countries and in expanding the portfolio to new countries.

- Addressing the need to align to government systems by providing incentives through financial top-ups through performance-based grants for climate resilience, LoCAL helps to build stronger and more transparent government financial systems. It is therefore necessary to design flow of funds and mechanism for PBCRG operations fully align with existing systems of inter-governmental transfers and follow the regular public expenditure management cycle – the funds are therefore fully fungible with other resources available locally. In Benin, the PBCRGs are aligned with the “Fonds d’ Appui au Développement des Communes » (FADeC).
- Special care should be given to the design of the mechanism and in particular the choice of minimum access conditions and performance criteria. Minimum

conditions are generally speaking concerned with public financial management and good governance. In Mali, these conditions include the establishment of an agreement between the municipality and the central ministry; the functioning of the local bodies; past audit results; and the rate of implementation and reporting. Performance measures are more qualitative and variable measures of performance, and will typically go into more detail within each functional area, such as the quality of the planning or the quality of climate change management, etc. The measures are used to adjust the level of funds made available to local governments as and when they have complied with the minimum conditions. In Niger, the performance criteria relate to climate information; local adaptation plans; the integration of adaptation into local development plans, investment plans and budgets; citizen participation; and the implementation of adaptation measures and reporting.

- It is important to define the appropriate size of the PBCRG – they need to be large enough to have an impact but small enough to be fiscally sustainable and scalable. As an example, the size of the PBCRG in Ghana will constitute an average “top-up” of around 10-15% of the District Development Fund for the

enrolled Metropolitan, Municipal and District Assemblies (MMDAs).

- Changing people’s attitude, behaviour and practices is complex and more so in the case of climate change because of the unpredictability of the climate, lack of data, and the uncertainty of success of the new technology and practices. For similar reasons, infrastructure is generally more appealing to sub-national governments and local communities compared to soft adaptation measures and represent the majority of the adaptation measures selected in all countries.
- Participation of sub-national governments and local communities is key to successful planning and implementation of adaptation at local level. In Cambodia “Vulnerabilities Reduction Assessments” have become meaningful and viable as they were used as a part of the local development planning process and as a basis to respond to local adaptation needs.
- An innovative and ambitious concept and approach such as PBCRG requires long-term policy support. To facilitate this, an institutional mechanism and knowledge management are required to inform policy-making with field experience, as evidenced by the experience in Bhutan and Cambodia.

Resources

The table below lists the different sources of funding of the global LoCAL programme. **PFIS funds were leveraged by a factor of 5.**

Table 7: LoCAL Global Programme Sources of Funds as of 31 December 2014
in US Dollars

Source of funds	Total Resources
EU Global Climate Change Alliance	5,427,000
Sida/PFIS	2,187,821
Sida/Cambodia (Global programme)	988,287
Government of Liechtenstein	110,000
UNCDF	800,000
UNDP Global Environment Facility (Funded parallel budget)	2,145,000
Government of Benin (Funded parallel budget)	100,000
Total	11,758,108



Workplan

Consolidating the portfolio: In 2015, LoCAL will consolidate its portfolio of initiatives delivering performance-based grants for climate resilience in 11 countries. It is planning to undertake scoping in an additional three new countries - two in Africa and one in the Pacific. Nepal, Bangladesh, Laos, Benin, Ghana, Niger, Mali, Mozambique and Solomon Islands will go through phase I and based on lessons learned start preparing for phase II, while Bhutan and Cambodia will further expand (phase II and III).

Knowledge management and communication: Opportunities for learning and distilling lessons for the benefit of participating countries, partners and other interested stakeholders appear in all activities of the approach. In 2015 LoCAL will strengthen its work in the field of knowledge management and communication. Work will include organising a lesson learned workshop, upgrading the website, developing country briefs and webpages to foster experience sharing and learning across countries, developing a database of adaptation measures on the ground,

making use of videos and other multimedia, standardizing the training materials, and reaching out to various networks.

Strengthening partnerships: LoCAL is collaborating closely with partners who are specialized in specific areas of relevance to the LoCAL approach and/or complement well the PBCRG mechanism. In Asia LoCAL has a track record of close collaboration with the UNDP-UNEP Poverty- Environment Initiative (PEI) with joint work in Bhutan, Bangladesh and Nepal, to help mainstream climate change adaptation into local government planning. In 2015, such collaboration will be explored in countries of common focus in Africa. LoCAL has also explored and initiated partnerships with the Korean Environment Institute and the World Resource Institute to expand the knowledge base in the field of climate change adaptation and adaptation monitoring. Building on the existing partnership between UNCDF and the Commonwealth Local Government Forum (CLGF) Pacific programme, LoCAL has the opportunity to access substantial knowledge and experience on local government and governance in the Pacific region.

Making LoCAL a standard and recognized country-based mechanism for channelling adaptation finance to the local level: The feedback and outcome from the

conferences and workshops in which LoCAL participated in 2014 highlight the potential for LoCAL to become a mechanism for the international community to channel adaptation finance to the most vulnerable and remote areas in the most efficient and effective way.

In each country where it operates the ambition is to achieve a national roll out of the approach where all local governments can benefit from financial resources to integrate climate adaptation in their work. This will require accessing financing from international funds such as the Green Climate Fund, for local governments, through their central governments. In 2015, LoCAL will support a selected number of LDCs in achieving this ambition, opening the door for others to follow.

In the longer-term, the vision for LoCAL is to become a global facility which provides expertise, and supports bilateral, private and multilateral donors and partners to deliver performance-based climate resilience grants across countries and regions, responding to the needs of the most remote populations and the most vulnerable countries.

LOCAL FINANCE INITIATIVE

— *LFI*

Programme Overview

The programme fills two development gaps.

Firstly, LDCs are growing, yet this growth is largely confined to export centres and real estate in large cities. For example in 2014 fixed capital formation in Mozambique was at an all-time high yet poverty reduction is lagging MDG. The Local Development approach recognizes that growth must be channeled to local economies and industries that have an accelerator effect on employment and linkages to other local inputs and outputs. Without this endogenous, qualitative growth LDCs will expand but not transform themselves. How can local governments and local economic development strategies be activated to promote this local economic development? This is a mindset or paradigm shift for local governments that LFI has been discussing with LGAs.

Once they realize that investment capital can also come from the private sector, economic development will accelerate. Using limited public/development funding for preparation and risk mitigation, private sector can

bring investment capital and experience to run income generating investments giving local governments the chance to deliver their mandate which is service delivery and revenue collection.

Secondly, LDCs have growing capital deposits (pension funds, banks with excess liquidity) and growing fiscal receipts (mining etc). Yet there are insufficient mechanisms to recycle these resources into the kind of local economic development that produces transformative and inclusive growth. Instead excess deposits are recycled into real estate and other unproductive assets or held offshore. How can a sustainable mechanism that recycles public and private domestic resources into local economic development be developed? There is no better way than the use of successful “demonstration projects” developed by both public and private sector partners. The LGA workshops now focus on showcasing different case studies and approaches used by LFI and localities to successfully unlock private capital for their local development. The demonstration projects and lessons learned in Tanzania and Uganda for examples are a powerful proof that the concept works and can be scaled up and replicated by others creating the sustainability of such mechanisms.

Intended Outcome

The goal of LFI is to increase access to national financial resources for

development of essential infrastructure projects (productive systems and capacity) that will ensure sustainable development at the national and local levels, private sector development, employment creation, poverty reduction, and improved living standards thereby contributing to the achievement of the newly established Sustainable Development Goals (SDGs), particularly the specific goals of ending poverty (SDG 1).

There are two specific outcomes. In Outcome 1: there are improved capacities of public and private project developers to identify and develop small-to-medium sized infrastructure projects essential for inclusive LED in Tanzania.

In Outcome 2: there is increased ability and willingness of the domestic financial sector to provide financing for small to medium-sized LED infrastructure projects in Tanzania.

Theory of Change

1) Processes, methodologies, and enabling tools are designed and introduced to identify and develop infrastructure projects essential for inclusive local development. These include tools, instruments and mechanisms for public-private partnerships, project financing (including non- or limited recourse project finance and SME finance).



2) Local capacity established to enable stakeholders (national and local government officials and the private sector) to identify and develop infrastructure projects essential for local development with support from development partners.

3) Four “proof of concept” demonstration projects identified, developed and structured in five LFI countries to jumpstart the multiplier process and create a multiplier effect through “learning by doing” and incentivizing stakeholders.

4) Development of tools, instruments and mechanisms within an enabled environment to accelerate finance for local economic development infrastructure. These include appropriate regulations and investment vehicles.

5) Local capacity is established to increase the ability of the private sector to finance local development projects with appropriate credit enhancements.

6) Capacity is established to effectively evaluate and monitor the local development impact of public and private sector infrastructure investments in the context of LDCs.

Outcome and Results

Outcome

Tanzania’s government has adopted the model and sent a circular to all local governments requesting implementation. The strategic objective of the programme in Tanzania is being met and a national platform is being established to promote financing of local infrastructure by domestic banks for Local Development in the areas of Local Economic Development, Women’s Economic Empowerment, Green Energy and Food Security.

For other countries, the programme expects acceleration in 2015.

Results

By the end of 2014, the UNCDF’s LFI secretariat was fully in place in Tanzania. LFI closed its first deal in 2014 by mobilizing \$2.575,000 from a

domestic private investor for the first phase of a customs depot, warehouse and lorry park identified in the local government economic development plan. A further 30 projects are nearing closure from a pipeline amounting to over \$100m. LFI team also trained 120 bankers, local government project sponsors and private project developers in local infrastructure project assessment and finance, including senior staff from Barclays Tanzania, Stanbic Tanzania, Bank of Africa Tanzania, Commercial Bank of Africa and the National Bank of Commerce. This achieved a reduction in the risk assessment of local banks about local economic development. This is transformative because their excess liquidity is no longer tied up in unproductive real estate or sitting offshore but instead invested in local economic development projects that are part of approved plans with forward and backward linkages to other local economic actors and proven impact in the fields of Women’s EE, clean energy, LED and FS. For these four sectors UNCDF is

developing, with New York University, specific indicators on impact and how to measure it as part of the project appraisal process.

New project development methodologies and finance toolkits were developed in 2014 while the earlier versions from prior years were enhanced. These methodologies have now been integrated into the team’s work flow and processes. LFI is supporting 36 investment projects (small and medium size infrastructure) at different stages of development originated by public and private developers in Tanzania, Uganda and Senegal. These projects cover cross-cutting thematic intervention such as cross-border businesses, gender equality, environment, and food security (including agro-processing), renewable energy, community infrastructure, telecommunications, and industrial-manufacturing sectors. The seven most advanced projects are expected to reach financial closure within the next 6-9 months and expected to

Figure 2: Local Economic Development (LED) Finance Initiative: Strategy and Approach

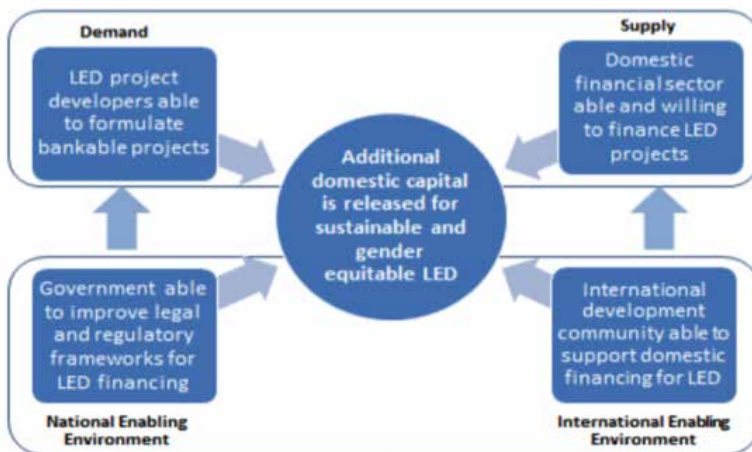
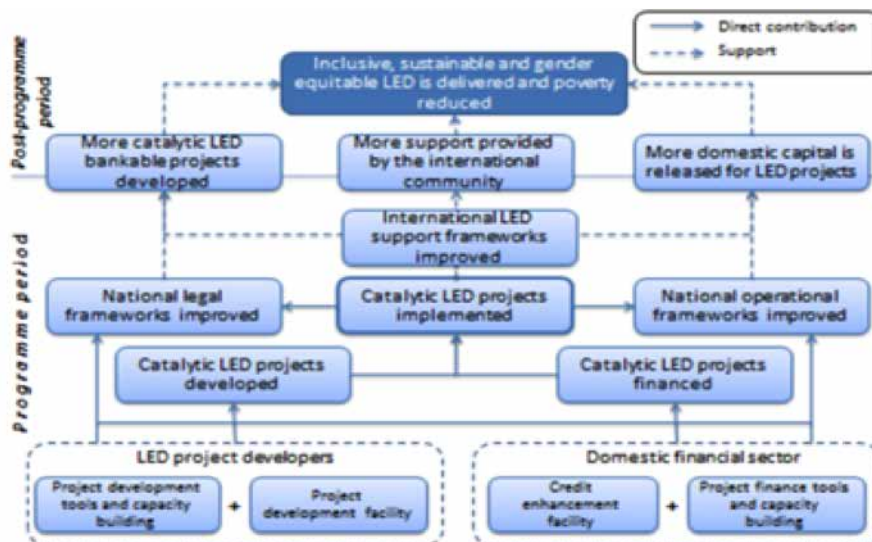


Figure 3: Local Economic Development (LED) Finance Initiative: Theory of Change



access \$44 million of domestic capital in the form of debt and \$3 million of grants. In terms of gender and women’s economic empowerment, LFI presented financing tools and opportunities at a workshop to 47 members of the Women Chamber of Commerce and individual women SMEs as part of efforts to incorporate gender equitable investments in local economic development. As a result of this workshop, LFI has included gender elements in the 2015 call for investment proposals to capture gender equitable projects in the selection process. In managing the missing links and disconnects among

key actors about 200 officials from Local Government Authorities (LGAs), Financial Institutions and business entrepreneurs in Tanzania have received project finance training, and skills on idea generation and business formation during 2014. The same capacity development training will be done in Uganda and Senegal during the work plan of 2015.

Scoping missions to Uganda, Benin, Senegal, Ethiopia, Bangladesh and Lesotho are planned. This expansion will be covered in the 2015 annual report.



LFI STORY

— *Lupali Small Hydro-Electric Power Project*



01

Project type: Power Generation
Infrastructure Type: 317KW Small Hydro Power
Total Project Cost: \$2.2M
Leverage: \$1,884,300 (local bank, UNIDO and REA)
Promoter: Benedictine Sisters of St. Gertrud Convent Imiliwaha (BSoSGCI), Tanzania
LFI support: Technical expertise and seed capital

The Benedictine Sisters of St. Gertrud Convent Imiliwaha (BSoSGCI) are developing the Lupali Small Hydro-Electric Power Project (SHEPP), a 317KW hydro-power project based in the Njombe District. The project will increase rural electrification to an estimated population of 5,625 people (1,372 households) in Boimanda village. In addition, the project will improve social service delivery of education and health services in the area by increasing access to electricity for 1 hospital, 4 dispensaries, 3 secondary school, 7 primary schools and 6 nursery schools.

Through the provision of clean energy, the project will support the sustainable local economic development of the Njombe District. The project will enable clean energy to displace fossil fuel systems associated with high carbon emissions and negative respiratory health impacts. The project will also be catalytic in improving food security, the local business environment and will increase women's economic empowerment

in the Njombe area and beyond women's. The project will increase refrigeration in the project area which will extend the shelf life of food products and reduce food insecurity. The project also addresses one of UNCDF's thematic interventions of women's empowerment as it is owned and managed by 500 women and addresses barriers to women's economic participation. Access to reliable electricity for consumptive and productive use will enable women to shift time spent on unpaid care work dedicated to collecting firewood toward income-earning activities, education and political participation. Provision of relatively cheaper and reliable energy will improve operational efficiencies of local businesses therefore enabling business expansion especially into value added processing activities.

The total project cost of the Lupali SHEPP is approximately \$2.2 million. The LFI support is in the form of technical expertise and seed capital which will contribute to the equity stake of the project developer. Thus

far, LFI has disbursed \$50,000 for project preparation costs and detailed technical design costs and is looking to provide additional seed capital of \$200,000. Our contribution and that of others has resulted in the unlocking of domestic capital, including debt of \$659,800 dollars from a local commercial bank (TIB Development Bank), UNIDO equipment grants worth \$420,000 and Rural Electrification Agency (REA) performance and matching grants worth \$804,500.

LFI STORY

— *Kibaha Modern Market*



02

Project type: Service Delivery/
Commercial

Infrastructure Type: Modern Market Project

Total Project Cost: \$10.1M

Leverage: \$7.5M (73%) debt
financing local bank

Promoter: Local Govt. (Kibaha Town
Council)

LFI support: Technical expertise and
grant

01. Benedictine Sisters outside the building hosting the hydro-powered engine.
02. Currently, the Maili Moja market represents the main market infrastructure in Kibaha Council.

Kibaha Town Council (KTC) is developing a Modern Market located in Kibaha District, Pwani Region, Tanzania. The modern market is a community service delivery infrastructure providing an opportunity for quality service delivery to 834,956 people (around 196,422 households) in Pwani Region and about 258,812 people from 62,189 households in neighbouring wards in Kinondoni District- Dar es Salaam. The project will contribute toward the sustainable and inclusive local economic development of Kibaha District. The project will afford KTC new income revenue streams through the collection of sales, levies and real estate tax revenues therefore reducing its dependency on central government transfers. The project will be critical in strengthening the local value chain and will enable the linkage of small-holder farmers and traders (who are predominantly women) to a centralised market. This also provides added incentives for aspiring entrepreneurs to establish small

businesses at the market as tenants or as casual traders resulting in reduced unemployment and poverty.

The total project cost of the Kibaha Modern Market is approximately \$10 million. The LFI support is in the form of technical expertise and seed capital (\$250,000) which will contribute to the equity stake of the project developer. Our contribution and that of others will unlock domestic capital, including \$7.5 million dollars (73%) debt component of the total investment cost from a local commercial bank (TIB Development Bank).



Summary of Challenges and Delays during the period

There were delays in getting the programme off the ground. The initial idea to use international technical service providers in the shape of international banks like Citibank did not work. They did not understand the environment in Tanzania and had no understanding of local conditions. The programme was recast and focused on local banks as the providers of funding. However it took time and technical assistance provision for risk averse local bankers to agree to fund local infrastructure as they had no prior knowledge of this market segment. The programme took off when local governments were bought into the picture. They could point out the need for infrastructure which was there in their local infrastructure plan but could not be built due to lack of financing. This infrastructure could be either publically or privately financed. A momentum could thus be generated through the partnership of the local bank, local government and potential investor.

Lessons Learned

Domestic Capital: The design stage of the programme confirmed through the implementation of LFI that the supply side of the domestic capital is not used to support small and medium-scale investments in productive systems at the rural and sub-national level. Also, this capital is not available for local economic development actors, whether they are local governments or private businesses.

Lack of Capacity of Key Partners: Capacity building in form of sensitization, training, coaching and mentoring to Local Governments Authorities' officials and rural based private developers is a necessary ingredient in generating, screening and selecting potentially viable projects that are required to accelerate local development.

Developers, Technical Service Providers and Lenders' Orientation:

On the demand side, the owner-developers of the projects are incapable of interpreting and defending their business plan due to limited technical knowledge on the supply side, lenders and investors decline projects that are not investment ready in terms of presentation and content. The LFI SME and project finance workshops and knowledge sharing platforms for developers and financial institutions proactively address issues that cause projects to be declined.

The Need for Specialized Knowledge:

By its nature and use, the project finance is not commonly practiced in LDCs and less matured financial institutions because it deploys long term investment financing. At initial stages of programme, the delivery of knowledge and solutions was difficult due to the fact that even bank officials did not have exposure to this approach.

Mindset Change/Paradigm Shift:

The sustained decrease of central/mainstream government financing to LGAs has resulted in a paradigm shift of the LGAs from being aid recipients to entrepreneurs/revenue generators. LGA officials responsible for decision making have been encouraged by central government to change their mind-set and also to adopt the LFI

financing approach in their budgets and annual investment plans.

Private Sector can finance Local Government Projects: The LFI pipeline of local government developed economic infrastructure projects demonstrates that the private sector including local commercial banks can fund such projects provided that certain risk mitigation strategies are applied initially, and ultimately they will be able to stand on their own based on the merits of cash flows.

Resources

Table 8 lists the sources of funds for the Local Finance Initiative. PFIS funds were leveraged **by a factor of 3**.

Table 8: Sources of Funds for the Local Finance Initiative 2012-2014

in US Dollars

Source of funds	2012	2013	2014	Sub-total
One UN Fund	294,453	382,727	671,980	1,349,160
Sida - PFIS	666,917	936,283	618,020	2,221,220
Sida - Booster Fund	-	-	1,720,000	1,720,000
UNCDF	186,360	276,000	150,000	612,360
Total	1,147,730	1,595,010	3,160,000	5,902,740

Note: The resources are normally received and utilized in the subsequent year following the application.



Workplan

The Booster Fund will be used to strengthen LFI activities in Tanzania and Uganda and also to assist in expanding the programme in other LDCs, including Senegal, Benin and Bangladesh.

In Tanzania, the Sida/Booster Fund will be used to provide seed capital for the most advanced projects which are:

- \$250,000 to Kibaha Town Council for development of Kibaha Modern Market. The modern market is a community service delivery infrastructure in Pwani Region, Tanzania that poses an opportunity for quality service delivery to 834,956 people (around 196,422 households) in Pwani Region and about 258,812 people from 62,189 households from neighbouring wards in Kinondoni District- Dar es Salaam. The seed capital will contribute to the equity stake of the developer and subsequently leverage 73% of the total investment cost as debt from a local commercial bank (TIB Development Bank).
- Further seed capital of \$250,000 to Kibaha Town Council for development of Kibaha Bus Terminal. The bus terminal is envisaged to have a capacity of serving 600 mega buses and around 1,500 mini buses per day. This capacity translates into over 60,000 passengers per day passing through Kibaha Town, in Pwani Region. The seed capital will contribute to the equity stake of the developer and so

as to attract financial support from TIB Development Bank.

- \$150,000 to Benedictine Sisters (Lupali Hydro Project) in Njombe Region in Southern Tanzania. This 317KW hydro project will supply electricity to an estimated population of 5,625 people (estimated 1,372 households) in the neighbourhood of Boimanda village in Njombe District where there is no access to the national electric grid. The project addresses one of UNCDF thematic intervention of gender and women's empowerment as it is owned and managed by nuns.
- \$120,000 to Ileje Community Radio which is owned by Ileje District council in Southern Tanzania. For a long time, Ileje District has been denied access to local news because of its remoteness from main centres of mainstream radios. As a result, residents have been accessing radio news from neighbour countries of Malawi and Zambia, which are less relevant to their daily lives. The seed capital will complement the financial support from other development partners including UNESCO and UNDP.
- Lastly, the fund will be used to provide financial support to two other projects, Moshi Bus Terminal and Chamwino Grape factory in Dodoma, the political capital of Tanzania. The level of financial intervention will depend on the capital structure and the financing terms and conditions of the lender.

In Uganda, the Sida/Booster Fund will be used for continued support of the UCCCU milk processing project which is at a very advanced stage, in addition to other projects in the LFI-Uganda pipeline. The UCCCU project is a state-of-the-art 100,000 liter milk

processing project located in Mbarara Region in Uganda. UCCCU brings together dairy farmers and farmer organizations in over ten districts in western Uganda under one formal cooperative agreement. The project covers a representation of over 18,000 dairy farmers in southwestern Uganda, and nationwide, serves over 30,000 dairy farmers through linkages to the market.

In Senegal, one project has already been identified, the IV infusion plant developed by Parenterus company in partnership with a number of private and public institutional investors. The company is planning to develop a pharmaceutical plant in Bayakh (48 km from Dakar), with an estimated production capacity of 12 million bottles of 500ml per annual hence afford the people in Senegal and neighbouring countries of Mali, Guinea, Gambia and Guinea Bissau wider access to affordable health care and other social services will be offered by the company as part of its corporate social responsibility. The level of financial support will be determined soon after the LFI programme is formally established in the country.

Sida Booster funds will also be used to support project pipeline and LFI activities in establishing the programme in Benin, Bangladesh and other countries.

INCLUSIVE AND EQUITABLE LOCAL DEVELOPMENT

— *IELD*

Programme Overview

The elimination of gender inequalities in all aspects of life is critical for any development agenda and serves as a catalyst to accelerate sustainable development overall. Studies have shown that women's economic empowerment can raise economic productivity, reduce infant and maternal mortality, improve nutrition, promote health, increase the chances of education for future generations, and help advance women's rights.

The challenge of gender equality and women's empowerment is greater in the LDCs, where despite recent progress, many women remain marginalized in societies that are already overwhelmed by poverty, lack of critical infrastructure and access to public goods. In this context, and particularly at the local level, women continue to suffer from the unequal distribution of access to productive resources, such as land, capital, and financial services, and are more likely than men to be engaged in informal employment, lacking access to decent work and social protection.

Yet, the full and equal participation of women is essential to human well-being and economic development in the LDCs. Fostering their full contribution in the local economic development process (LED) will require overcoming entrenched discriminatory processes, as well as challenging existing historical, social and economic inequities.

Intended Outcome

IELD is a programme that proposes to alleviate these issues by equipping local authorities and the private sector with the financial and technical means to plan and implement gender-sensitive investments that improve women's economic empowerment through productive employment, decent work and access to resources, in order to create transformational impact on local livelihoods.

Theory of Change

This will be achieved through **Transformative Impact Financing (TIF)**, an innovative approach to capital development finance that utilizes UNCDF's local development finance core approach and financing instruments to unlock domestic capital for local economic development and entrepreneurship, with a special emphasis on the development impact as a measure for success.

Fostering the full participation of women in a local economic development process (LED) in the LDCs will require overcoming entrenched discriminatory attitudes, norms and stereotypes as well as challenging existing inequitable historical social and economic structures. The IELD approach will serve to strengthen women's participation in the private sector and better integrate their needs in terms of public provisioning that specifically reduces unpaid work. It will provide public and private sector business development services (BDS). This includes extension services; access to resources and markets; association and network-building to strengthen their influence. It will use innovative finance mechanisms and instruments to mobilize resources for the implementation of gender-responsive local economic development. Only then can gender equality and women's contributions through their full and remunerated economic participation be realized.

Outcome and Results

IELD is a partnership that builds upon the strategic comparative advantages of UNCDF, UN Women, and UNDP, and their development partners, with the aim of supporting local governments and the private sector, to design, plan, implement and sustain local public and private investments that take into consideration the differentiated and specific needs and priorities of poor women and men, with a particular emphasis on unlocking barriers to women's rights, economic opportunities and participation in decision-making processes.

Starting from a gender-sensitive Local Economic Assessment (LEA), in partnership with local governments and in consultation with the local population, IELD sets out to analyze and identify the structural impediments and obstacles that prevent poor women and men from entering the labor market.

For example, if women have to spend four hours fetching water, then IELD will work with the local authorities to utilize their capital mandate and unlock fiscal transfers from central to local governments to invest into water infrastructure projects which can then create that enabling environment for women and save them the time they need to engage in the economy.

On the other hand, the LEA will allow IELD to examine the role of the private sector at the local level, its potential for growth, its driving sectors, and

the forward and backward linkages as well as their relation to the national, regional and global economy. With this in mind, IELD will identify a pipeline of investable projects consisting of women enterprises and gender sensitive businesses, which are large enough to have a transformative impact on the livelihoods of the communities and create jobs for women and men.

IELD will work with these enterprises, invest grant mechanisms to build their capacity, upgrade their business plans and financial sheets, and bring them up to attractive standards for domestic commercial banking institutions. IELD also will work with the commercial banks, to lessen the market friction between supply and demand, by building their capacities, and working with them to adjust their risk mitigation policies and compliance measures, which make it very difficult for many to qualify for business loans. As such, IELD will minimize this market friction and unlock domestic capital for women enterprises.

The success of IELD's interventions, will be measured through the impact of the local development finance investments on jobs creation, women's employment, and the increase in net local fiscal space and gross fixed capital formation at the local level. This will increase local economic development. To sustain this approach, the knowledge, experiences, and capacity building materials for women enterprises and their collective experiences will have to be shared. Connecting women entrepreneurs with other entrepreneurs at the local, national, regional and global levels will be instrumental in spreading this approach globally for women.

The IELD programme will have an initial piloting phase of 5 years, with an initial country presence in three to four LDCs, and an intention to systematically grow country presence based on availability of resources, country demand and, most importantly, the capacity of the project to deliver effectively on the agreed results.

Selection of countries

IELD pilot countries may include Bangladesh, Mozambique and Tanzania, but the programme aims to pilot in four LDCs.

The selection of countries will be based on country demand and regional distribution, in order to test the IELD financing instruments to build local and regional knowledge, networks, capacities and experiences, and pave the way for country expansion, based on full agreement among the three implementing agencies, UNCDF, UN Women, and UNDP, represented under the IELD steering and investment committee.

There are two distinct but complementary approaches to IELD interventions. Depending on the demand from countries, and the nature of the problem, IELD can be a response to either one, or a combination of:

- Creating an enabling environment to unlock bottlenecks that hinder women and men from entering into the labor market, or engage in income generating activities; and
- Promoting investments to accelerate women's economic empowerment, labor force participation and entrepreneurship.

For both strategic approaches above, the country based intervention will have distinct clients and entry points, depending on the demand, design, and problem IELD is looking to solve. For simplicity, they can be divided into:

- Programme design and interventions focused on gender responsive Local Economic Development through local authorities and public

infrastructure as responses to bottlenecks;

- Programme design and interventions focused on boosting private sector development, entrepreneurship, and integration of women into the labor market through provision of private capital investment.

In both areas of interventions, IELD aims to respond to the local needs and

women's economic empowerment through its TIF approach, which utilizes UNCDF's local development finance instruments, to unlock domestic capital for local economic development with a particular emphasis on the development impact as a measure for success.

Resources

Table 9: Resources for Inclusive and Equitable Local Development 2014-2015

in US Dollars

Source of funds	Resources 2014	Resources 2015	Total current Resources
Sida (Seed capital for inception phase)	250,000	220,721	671,980
Luxembourg	0	550,000	550,000
UNCDF	41,677	158,323	200,000
Total	291,677	929,044	1,220,721

Workplan

The global programme will be initially implemented in four to five pilot countries over a four-year period. With a total inception phase budget of \$1,220,721 of which \$470,721 is the contribution from Sida over the period 2014/2015, the inception phase work plan illustrated below details the activities to be undertaken and achieved by year end. These mainly evolve around the following overall targets:

- Finalize the project appraisal and approval from the three implementing partners UNCDF, UNWomen and UNDP.
- Development of the first UN system wide gender responsive local economic assessment tool.
- Development of training modules targeted at local authorities on gender and local economic development, which includes the entire process of public management expenditure cycle, gender responsive planning and budgeting, gender investments, gender and labor markets, monitoring and evaluation among other modules.
- Engendering of UNCDF's financing

instruments, including the LD Fund, G2P and LFI financing instruments. By doing so, gender will be mainstreamed in all future programming in the Local Development Finance programme areas.

- Knowledge management and connecting IELD to UN Women's global gateway on women's economic empowerment.
- Call for proposal and selection of countries.
- Advocacy campaigns.



H.E. Åsa Regnér, Minister for Children, the Elderly and Gender Equality, Ministry of Health and Social Affairs speaking at the High-Level event organized by UNCDF, Sweden, UN Women and UNDP on gender and local economic development "Unlocking domestic capital for women's economic empowerment and entrepreneurship".

YOUTHSTART

Programme Overview

There are an estimated 3 billion people in the world under the age of 25. Approximately 1.2 billion are between the ages of 15 and 24, which accounts for 17 percent of the global population. Although this vibrant group has much to offer the world in terms of innovation, labour and enthusiasm, they are disproportionately affected by high unemployment rates and represent 40 percent of the world's unemployed. In Africa, three out of five young people are unemployed while in Southeast Asia and the Pacific, youth unemployment rates are six times those of adults. In total, 75 million youth do not have a job and are actively looking for one. These data suggest that, even during periods of economic growth, many economies have failed to absorb large youth populations into the labour market and therefore have also failed to translate this growth into more and better economic opportunities for youth. There is a need to provide financial inclusion and economic opportunities to these young people.

Intended Outcome

The intended outcome is to provide young people with financial access and economic opportunities that fill skill gaps and provide youth friendly services.

Theory of Change

The underlining theory of change of YouthStart focuses on providing youth the right combination of good quality financial services (e.g. savings, loans, insurance, payments, etc.) with complementary holistic services (e.g. mentoring, apprenticeships, etc.) that will support youth's smoother transitions from school to work and an increased ability to seize economic opportunities available in their communities. Provision of these complementary services must be integrated (eg. the same youth benefits from greater access to entrepreneurship education and financial services) and framed by coordinated actions of stake holders in the Youth Economic Opportunities ecosystem, as well as an enabling policy and regulatory environment where economic opportunities for youth can flourish. In 2010, UNCDF in partnership with The MasterCard Foundation launched the YouthStart programme, Building Youth Inclusive Financial Sectors in Sub-Saharan Africa, as a regional pilot. This innovative programme has worked with 10 partner FSPs in

eight countries in sub-Saharan Africa to design, test and scale up financial services delivered in tandem with complementary non-financial services to youth.

In April 2015, in partnership with Sida, UNCDF launched YouthStart Global, a programme that is taking the best practices from the regional pilot and scaling them up, as well as improving the programme based on lessons learned. The programme is being implemented in 3 phases:

- an inception phase that entails a country specific analysis of the youth economic opportunities ecosystems in each country and getting the necessary government support;
- a phase 1 that consists on selecting the right partners to work with in each country, and
- a phase 2 that consists of supporting selected partners to develop, test and scale up relevant, accessible and affordable services to youth.

Outcome and Results

After working for 4 years with ten leading financial services providers (FSPs), in eight countries in sub-Saharan Africa, 2014 marked the final year of the YouthStart Regional Pilot. YouthStart's original mandate of providing access to finance to 200,000 youth between the ages of 12 – 24 has almost tripled, while the scope of products offered to youth also expanded to 17 new youth demand driven products.

As of December 2014, YouthStart FSP partners granted access to savings accounts to almost 515,000 young people (of which 46 percent are young women), trained over 500,000 youth in financial education (54 percent young women), and provided loans to almost 72,000 young entrepreneurs. These young clients have accumulated \$14.2 million in savings, while the young entrepreneurs accessed \$7.3 million in loans to either start up or expand their own business.

2014 was also an important year for YouthStart's learning and knowledge sharing agenda. In partnership with the Frankfurt Business School, MicroSave and The MasterCard Foundation, YouthStart has led the production of case studies in Burkina Faso, Malawi, Rwanda, Togo and Ethiopia to analyse and better understand the business case of youth

financial services and the behavioural changes of youth benefiting from the programme.

2015 will be dedicated to the final evaluation of the regional pilot and the launch of the Global programme that build on these results, and will reach an additional 800,000 youth.

Lessons Learned

There are lessons learned from the YouthStart programme that informed the design of the YouthStart Global programme.

Financial literacy is a core component of delivering youth financial services.

Through the regional pilot of YouthStart, UNCDF learned that the best business model to deliver financial literacy to youth is the one in which youth mobilizers hired by the FSP deliver financial services to youth also deliver financial literacy. This model is particularly powerful when youth mobilizers empower youth within the groups to deliver the education using a peer to peer model like the one of the YouthStart partner Umutanguha Finance in Rwanda.

We have also learned that this model works best in terms of balancing scale, impact and sustainability when adopting a “critical minimum” approach. This approach entails using a curriculum with three-30 minute sessions, well designed and well delivered and containing the key necessary messages to nudge youth positive behaviours. Limiting the

length of the sessions allows an FSP to train more youth in a shorter period of time, thus benefitting both the youth and minimizing the delivery costs to the FSP. In addition the sessions utilize basic training materials keeping the costs of delivery low and making it easy to transport them, especially in rural areas. Finally, even trainers who may not be technically savvy in financial education are able to deliver the simple sessions that follow a similar structure. Shorter and simpler sessions also fit better into group meetings when, for example, delivering them through savings groups.

There is an inherent need for meaningful partnerships between FSPs and Youth Service Organizations (YSOs)

FSPs that partnered with YSOs and/or government-sponsored vocational schools seemed to have greater impact than those FSPs that did not actively engage in partnerships. YouthStart partner ACSI in Ethiopia, for example, was able to partner with government-sponsored vocational schools in the Amhara region. While youth were acquiring new skills, ACSI offered savings accounts so the youth could start building assets. By the time the youth graduated from the vocational school, they had accumulated enough savings to start up a business or apply for a loan with ACSI. Two factors helped ACSI to forge these successful partnerships. The first one is that like the vocational schools, ACSI also has extensive support from the government, so establishing the partnership was easy. Second, the catchment area of ACSI corresponds to the catchment area of the government vocation school network.

YouthStart Rwanda: Leveraging savings to obtain a loan and increase income-generating activities

Francine Mukama in Rwanda opened a savings account at Umutanguha after meeting with the youth champion there. Then, she attended trainings on financial education that motivated her to save money to start a small business selling tea and porridge in the market. Later, she attended another training that taught her the basics of how to manage a loan. She said, “When I was ready to start my canteen, UCU was there for me and accepted to give me a first loan of 200,000 RWD (\$300) because I managed to accumulate savings. I used the loan to rent a small house and buy goods to sell. Now I have a small canteen and people can buy bread, milk and enjoy my porridge with tea. My business is still small but my income is really helping us a lot. I have bought a piece of land for 500,000 Frw (\$735) and we will start growing crops soon so that I can cook to sell in my canteen. I never thought I would be able to afford a piece of land before I opened my savings account at UCU.”

Umutanguha Finance in Rwanda partnered with a YSO that provides market relevant skills training and support, and Finance Trust Bank in Uganda partnered with a YSO that seeks to involve youth in value chain businesses in the agriculture sector. One would argue these partnerships are the perfect fit for both institutions.

However it has been extremely challenging to forge and maintain these partnerships. First of all, some of these partnerships take a very long time to become formalized. Second, there is a mismatch of expectations: the YSO assumes youth graduates of its programmes should receive loans even though they may not be ready for them and the FSP assumes it will be getting referrals for youth that are “loan ready”. Third, the catchment area of the FSP is generally greater than that of the YSO. Therefore, during the pilot test of the youth programme, the partnership initially worked, but once the FSP scaled up the programme to other zones of the country, it had to identify new YSOs with which to partner.

Therefore to build a successful partnership it is important to ensure the alignment of expectations, catchment areas and target groups of the FSPs and YSOs.

Youth demand for financial services does exist and it is often linked to youth employment

When the regional pilot of YouthStart was launched in 2010, it was unclear if the demand for youth financial services existed. Through this pilot, it was clear that youth do in fact demand financial services. YouthStart’s 10 FSP partners almost tripled the original targets of reaching 200,000 youth, collecting \$14 million in savings, and extending \$7 million in loans to young entrepreneurs.

Three years ago when the programme began, YS partners had adopted a savings-led approach as it seemed less risky to offer savings rather than loans to youth. Over time they

became more comfortable serving the youth population and expanded their product offerings to include credit. As a result many youth started to save before they turned 18 years old and can now either use their savings to start a business or as collateral to access a loan. This enabled FSPs to learn more about the youth market they were serving and realize the potential of youth as clients. YouthStart, to a great extent, stimulated a change within the culture of the FSPs from a youth adverse culture to a pro-youth one.

Institutional muscle does affect FSP’s services to youth

The crisis of PAMECAS and OIBM (two FSP YouthStart partners) evidenced once again how the institutional muscle of FSPs is critical to serve youth. In the case of PAMECAS, they were the only FSP of the YS programme that did not exceed their proposed targets. In the case of OIBM, the high youth Portfolio-at-risk (PAR) is only a reflection of the high institutional PAR. The profitability study that The MasterCard Foundation commissioned also confirms this theory in the case not only of OIBM and reveals how the poor client service culture of the RCPB coupled with services and a business model that does not favour usage of accounts has negatively affected their performance in YouthStart.

On the other hand, it is seen that FSPs can leverage their own innovations to better serve youth. This is the case for example of FINCA DRC and Umutanguha Finance in Rwanda. As a result of the use of POS agents, transactions on youth accounts in FINCA DRC in 2014 increased from

9,6871 to 19,925 and savings volume increased from \$129,750 to \$276,083. The MicroLeasing product offered by YS partner Umutanguha Finance in Rwanda also shows how an FSP’s own strengths to innovate in new product development can have positive effects in the way they serve youth clients.

For YouthStart these lessons are important as they can help us to better tailor the technical assistance needs of FSPs in future programmes.

We have more data to set other targets in future PBAs

When YouthStart was designed, there was little to no evidence that could have helped us to set targets for the FSPs different to the ones related to the number of youth accessing the services of the FSP. As a result, the youth related PBA targets focused only on number of youth accessing financial services. This resulted in FSPs giving too much emphasis to outreach numbers, to the detriment in some cases of indicators related to the usage of savings accounts or loans. After this regional pilot, UNCDF is well positioned to help FSPs participating in YouthStart to set more realistic targets regarding other more meaningful performance indicators. This will help UNCDF to make sure FSPs are accountable for increasing not only uptake of youth accounts but also usage.

Resources

Through December 2014, YouthStart had received \$10,895,026 from The MasterCard Foundation. In March 2015, YouthStart Global received a direct contribution from UNCDF and from SIDA of \$241,599. The programme has also receive the support from FSD Mozambique to co-finance the Youth Economic Opportunities Ecosystem Map of the Inception Phase. YouthStart Global has enough resources for 2015 to conduct the Inception Phase in 4 different countries.

Table 10: Resources for YouthStart Global Programme

in US Dollars

Source of funds	Funds Received	Actual Expenditures	Fund Balance
Sida	88,000	8,915	79,085
UNCDF	153,599	-	153,599
FSD Mozambique	25,000	-	25,000
The MasterCard Foundation*	11,954,819	9,801,614	2,153,205
Total	12,221,418	9,810,529	2,410,889

* Balance of YouthStart (Regional)

At the Global Level, UNCDF is in discussions with the Swiss Corporation, FMO, USAID, ACIDI, and Rockefeller Foundation. YouthStart Global is also part of a large UNCDF proposal to the EU through their ACP

funding and is targeting donors at the country level in the 4 countries where the Inception Phase was launched.

Even if UNCDF concludes agreements with one or more of these funders UNCDF will requires additional funds

to support the YouthStart Global team after 2015, making it a critical year for YouthStart Global fundraising efforts.

Workplan

In April 2015, UNCDF launched the inception phase of YouthStart Global. The inception phase entails a country specific situation analysis of the youth economic opportunities ecosystems in three of the countries where the regional pilot was implemented (Senegal, Uganda and Malawi) and in four to five additional countries (Benin, Mozambique, Rwanda, Zambia and possibly Tanzania). These countries were identified and prioritized based on the following factors:

- Youth (people between 15 and 24 years old) as a percentage of the population of the country is greater than the average for the LDCs (18.7 percent);
- The problem of youth employment is or should be considered a national priority as reflected in national policy and strategy documents;
- There are enough FSPs in the country's financial market that have the potential to provide relevant and affordable financial and non-financial services to youth and that are deposit-taking institutions—both key indicators used to select partners for the YS regional pilot;
- There are strong Youth Service Organizations (YSOs) in the country with great potential to scale up meaningful services to

youth living in rural areas and to serve the most vulnerable;

- Completion of UNCDF's Making Assess Possible (MAP) diagnostic;
- Presence of other UNCDF global thematic initiatives (e.g., MM4P, MicroLead) in order to leverage investments in technology, clean energy, or their savings-led initiatives; and
- Presence of Joint Country Programme with UNDP-UNCDF, in order to leverage host country government's and the UN's convening power to bring together the large number of actors needed to break through silos and tackle the range of issues related to youth employment.

Inception Phase activities will be conducted by the YSG team with the support of a technical partner (eg. International NGO or a consulting firm) with extensive expertise conducting country specific youth assessments. Because these country diagnosis will be public goods, available with all stakeholders, UNCDF will engage this partner through a Grant Request for Application (RfA) process and a Performance Based Agreement (PBA).

UNCDF will work closely with other UN agencies (e.g., IFAD, ILO, UNDP, UNIDO) and donors to gain a deeper understanding of the country's youth economic opportunities ecosystem and their interventions. YS Global will leverage the Youth Maps completed by the International Youth Foundation in countries where they exist (Senegal, Uganda, Malawi, DRC, Tanzania, Mozambique and

Zambia), the youth employment reports of the World Bank and the recently launched ILO School to Work Transition Survey Reports for the available countries. YouthStart will also work closely with other UN agencies (in particular ILO, UNDP and UNIDO) involved in the Inter-Agency Network of Youth Development and make sure goals are aligned with the System Wide Action Plan on Youth in the selected countries.

YS Global will leverage market intelligence gathered by UNCDF's global thematic initiatives such as MAP and MM4P, the local knowledge of UNCDF's regional and country technical advisors, CGAP, IFC and MIX Market to deepen understanding of the youth financial sector. Finally, YS Global will seek support from UNESCO, ILO, UNIDO and UNDP to carefully map the policies governing the YEO environment in each country.

This exercise will allow UNCDF, governments, UN agencies and other partners to gain a better understanding of youth employment and entrepreneurship initiatives existing in each country, the FSPs that are already serving youth in a targeted manner or have the potential to do so, and the main policies and regulatory framework governing the YEO environment among other things. It will also provide an opportunity for all the stakeholders to identify potential linkages and avoid duplication of efforts.

Throughout the inception phase, UNCDF regional and

country technical advisors will facilitate exchanges of letters with host-country governments endorsing UNCDF's support for FSPs and YSOs. They will also be critical to help the programme convene the different actors of the Youth Economic Opportunities Ecosystem identified. The inception phase will culminate in a multi-stakeholder workshop in each country with FSPs, YSOs, government officials, UN agencies, funders etc.

Cognizant of the fact government and local stakeholder ownership, commitment and political will are crucial to achieving the policy outcomes, UNCDF will only proceed to Phase I in those countries where:

- Ministries engaged on youth related issues have designated focal points to participate in the national steering committee; and
- HCG have designated the lead ministry to convene: a) local stakeholders to review scoping exercise and national roadmap; b) annual meetings of the Steering Committee to evaluate progress vis-à-vis the roadmap.



ADVANCING WOMEN'S EMPOWERMENT — *AWE*

Programme Overview

Increased access to appropriate financial services can contribute to women's economic empowerment. Greater access to appropriate financial services can also help to reduce poverty and vulnerability, grow businesses, and improve livelihoods, thereby accelerate the achievement of broader development goals. In order to empower women economically, however, there is a need to address issues of both access (women's ability to access the right kind of financial and non-financial services to enhance their economic opportunities) and agency (which include the wide range of socio-economic factors that impede women from using and benefitting from those financial services, even when they can in-principle access them). Financial inclusion can enhance the options of women in managing household finance through building assets, mitigating risk and seizing economic opportunities. Through their commitment to sustainable finance practices that combine financial, social and environment sustainability

in their lending operations, financial services providers and the firms they finance can also empower women as employees and consumers, for example, by funding the production of goods and services that particularly benefit women in their socio-economic roles.

Intended Outcome

Through this programme, financial products and services that take into account women's needs and demands will be linked with non-financial services that enable women to access and better utilize the financial services and/or address other constraints to growing their businesses or improving the welfare of their household. The programme will identify and support these promising strategies and approaches, build the capacity of institutions to develop and scale them, understand the key design and delivery attributes and other success factors, and disseminate them for replication and adaptation. By bringing these learnings to UNCDF's existing programs, even more women can be reached through existing platforms. Finally, the insights gained will be used to influence national agendas of Least Developed Countries on enhancing women's economic empowerment through increased financial inclusion.

The programme will have 4 pillars of interventions:

- Research and data to drive evidence-based approaches: Using MAP-generated data as well as other data to understand aspects related to demand, access and usage of financial services by women. Conducting consumer-focused market research that will provide the basis for design of appropriate products and services as well as delivery channels, and additional inputs or services that are needed to support women's ability to best utilize and benefit from the financial services.
- Policy and advocacy: Engaging with policy makers and develop country-level as well as a global advocacy efforts based on the data-driven analysis.
- Capacity building: Identifying and funding the most promising models of capacity building around financial and non-financial services that enhance women's economic empowerment. This includes financial education, building the social capital of women and related networking and mentoring.
- Investment: Managing an innovation fund to finance innovations in product and service design and refinement, with the objective of scaling the innovations through the existing programming platforms of UNCDF (both country programming and Global Thematic Initiatives) and beyond.

Outcome and Results

During 2014, the regional Shaping Inclusive Finance Transformations (SHIFT) programme was developed and tested and approved in the first half of 2015. This programme provided a starting point for the design of the global AWE initiative.

Lessons Learned

The first year of implementing the SHIFT programme focusing on women's economic empowerment in the ASEAN region revealed some key lessons that will be taken into considerations in the design of the global AWE programme. These included the following:

- Data and strategic communication drives discussions and engagement. People are persuaded by data and when packaged well to communicate key messages, data can help drive dialogue and decisions.
- Facilitation is people intensive. It takes time to build and manage relationships and senior and experienced staff are generally more effective in this role.
- Contract out transactional activities. It is important to focus on maintaining strategic focus, nurturing relationships, and ensuring deep market knowledge, while creating expanded capabilities through partnerships and long-term agreements based on distinctive operational competencies.
- One size does not fit all. It is important to understand the local context; UNCDF's Making Access Possible (MAP) diagnostic tool can provide significant country and market level insights.
- Build flexibility into market systems programmes. Ensure regular review of strategy and use modular approach where possible to ensure programme is agile enough to respond to changes in financial and other markets.
- Adopt a portfolio approach to achieve desired impact. To achieve impact through a market systems approach, a balance is needed between higher and lower risk interventions.
- Incorporate learning, monitoring and evaluation into programming and use these results to adapt programmes.



Resources

During this period, no PFIS resources were drawn down for initial design. Instead, SHIFT resources were used to conceptualize a women's economic empowerment programme for the ASEAN region. This process involved extensive consultations within UNCDF as well as with other UN agencies, particularly UN Women, and external gender experts, and included a ThinkShop to test and refine concepts with global and regional experts. In the coming year, and starting with the learnings from the design work done in the ASEAN region, we will further develop the design for the global programme. This will include mapping of the context for women's economic empowerment in potential focus countries, research and consultations

Workplan

In the second half of 2015, the following activities will make up the workplan:

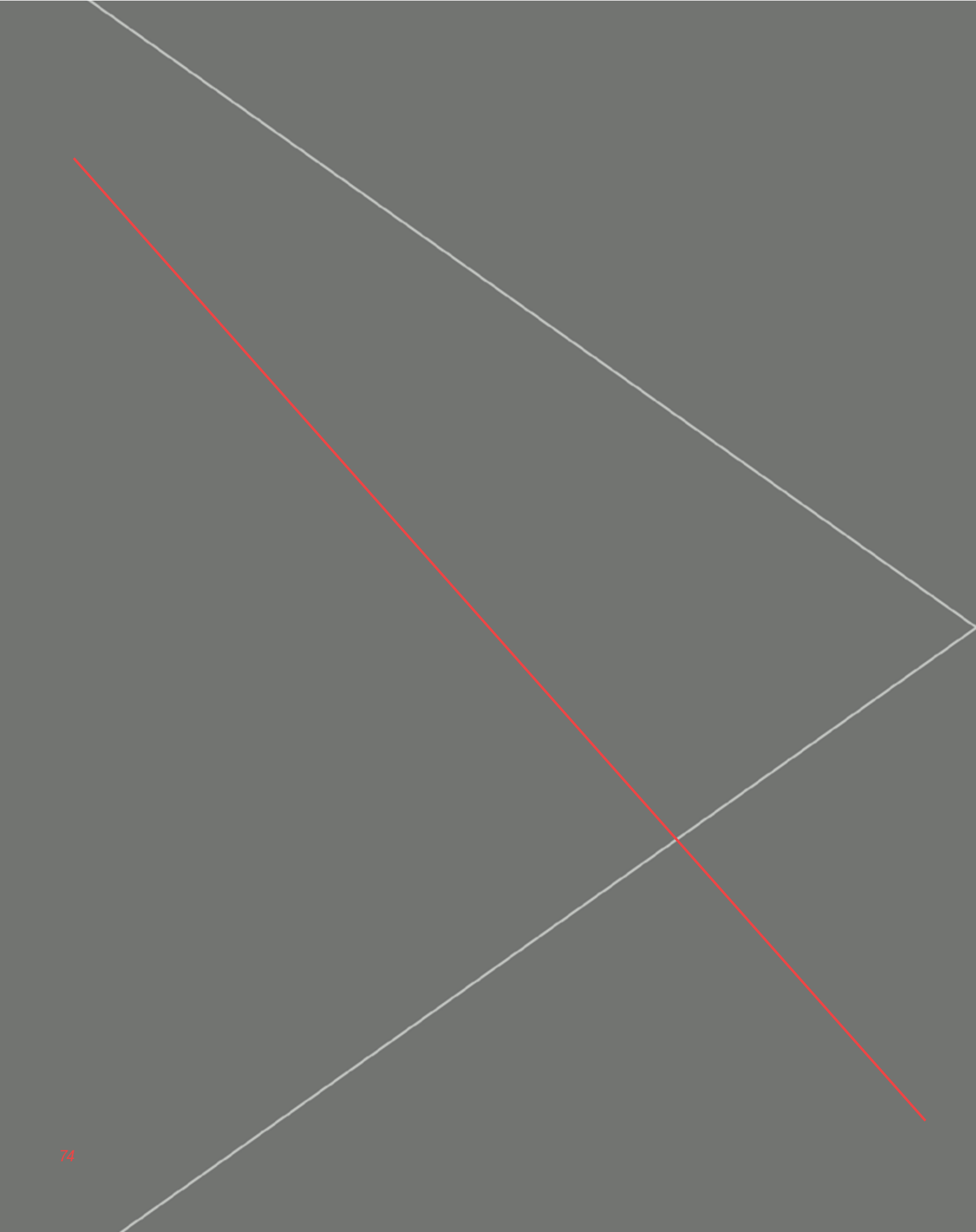
- Develop practice-wide approach to women's economic empowerment through financial inclusion. The practice-wide approach should enable any UNCDF programme within the financial inclusion practice area to adopt and incorporate interventions that specifically enhance women's economic empowerment. It may also include the development of a distinctive, women-focused initiative that would enable UNCDF to test hypotheses regarding links between women's financial

inclusion and poverty reduction, economic growth and jobs creation, or other development objectives.

- Develop an "enabler-strategy" to support the practice as a whole and its constituent parts to adopt and retrofit activities for women's economic empowerment, including a creation of a dedicated knowledge and facilitation hub and relevant communication strategy.
- Translate the "enabler-strategy plus" into a programme document on women's economic empowerment through country programmes, regional/global thematic initiatives, and/or women-focused initiative. This programme document should be used to secure initial funding and designed in a way to leverage investment of additional resources.
- Conceptualize and organize a high-profile event that brings a critical mass of market leaders and thinkers to spearhead the efforts

to advance women's economic empowerment (as needed).







Knowledge Products

Title	Link
Mobile Money for the Poor (MM4P)	
Digital Financial Services in Benin	http://www.unCDF.org/sites/default/files/Documents/bn_benin_final.pdf
Digital Financial Services in Cameroon	http://www.unCDF.org/sites/default/files/Documents/bn_cameroon_final.pdf
Digital Financial Services in Mozambique	http://www.unCDF.org/sites/default/files/Documents/bn_mozambique_final.pdf
Digital Financial Services in Nigeria	http://www.unCDF.org/sites/default/files/Documents/bn_nigeria_final.pdf
Digital Financial Services in Senegal	http://www.unCDF.org/sites/default/files/Documents/bn_senegal.pdf
Digital Financial Services in Uganda	http://www.unCDF.org/sites/default/files/Documents/bn_uganda_final.pdf
Digital Financial Services in Zambia	http://www.unCDF.org/sites/default/files/Documents/bn_zambia_final.pdf
Digital Financial Services in Liberia	http://www.unCDF.org/sites/default/files/Documents/bn_liberia_final.pdf
Scaling up digital financial services in rural areas	http://www.unCDF.org/sites/default/files/Documents/bn_nepal1_v5.pdf
First Steps to Access Financial Services	http://www.unCDF.org/sites/default/files/Documents/bn_nepal2_v5.pdf
Tracing the Customer Journey	http://www.unCDF.org/sites/default/files/Documents/bn2_uganda_v7.pdf
Innovating with and managing rural agents	http://www.unCDF.org/sites/default/files/Documents/bn3_uganda_v4.pdf
Digital Financial Services in Lao PDR: Market Insights on Product Needs and Channel Management	http://www.unCDF.org/sites/default/files/Documents/dfs_in_lao_pdr.pdf
Developing customer-centric strategy for DFS in Malawi	http://www.unCDF.org/sites/default/files/Documents/malawi_bn2_customer-centric_strategy.pdf
Who should be an agent?	http://www.unCDF.org/sites/default/files/Documents/nepal_bn3_who_should_be_an_agent.pdf
Elements of change management to drive adoption and usage	http://www.unCDF.org/sites/default/files/Documents/nepal_bn4_change_management.pdf

Coffee agro-value chain research: http://www.uncdf.org/sites/default/files/Documents/uganda_bn4_coffee_agro-value_chain.pdf
Untapped opportunities for digital financial services

Integrating the fish value chain with digital financial services http://www.uncdf.org/sites/default/files/Documents/uganda_bn6_fish_value_chain.pdf

Making Access Possible (MAP)

Publications http://www.uncdf.org/sites/default/files/Documents/myanmar_synthesis_report_repro.pdf
http://www.uncdf.org/sites/default/files/Documents/myanmar_roadmap_repro.pdf
http://www.uncdf.org/sites/default/files/Documents/lesotho_synthesis_repro.pdf
http://www.uncdf.org/sites/default/files/Documents/lesotho_roadmap_repro.pdf
http://www.uncdf.org/sites/default/files/Documents/swazi_roadmap_proof.pdf

Video- MAP- Financial inclusion in Myanmar https://www.youtube.com/watch?v=2k2v0li_w2E

OECD website: <http://oecdinsights.org/2014/12/17/myanmar-anticipating-a-leap-frog-in-development-through-financial-inclusion/>

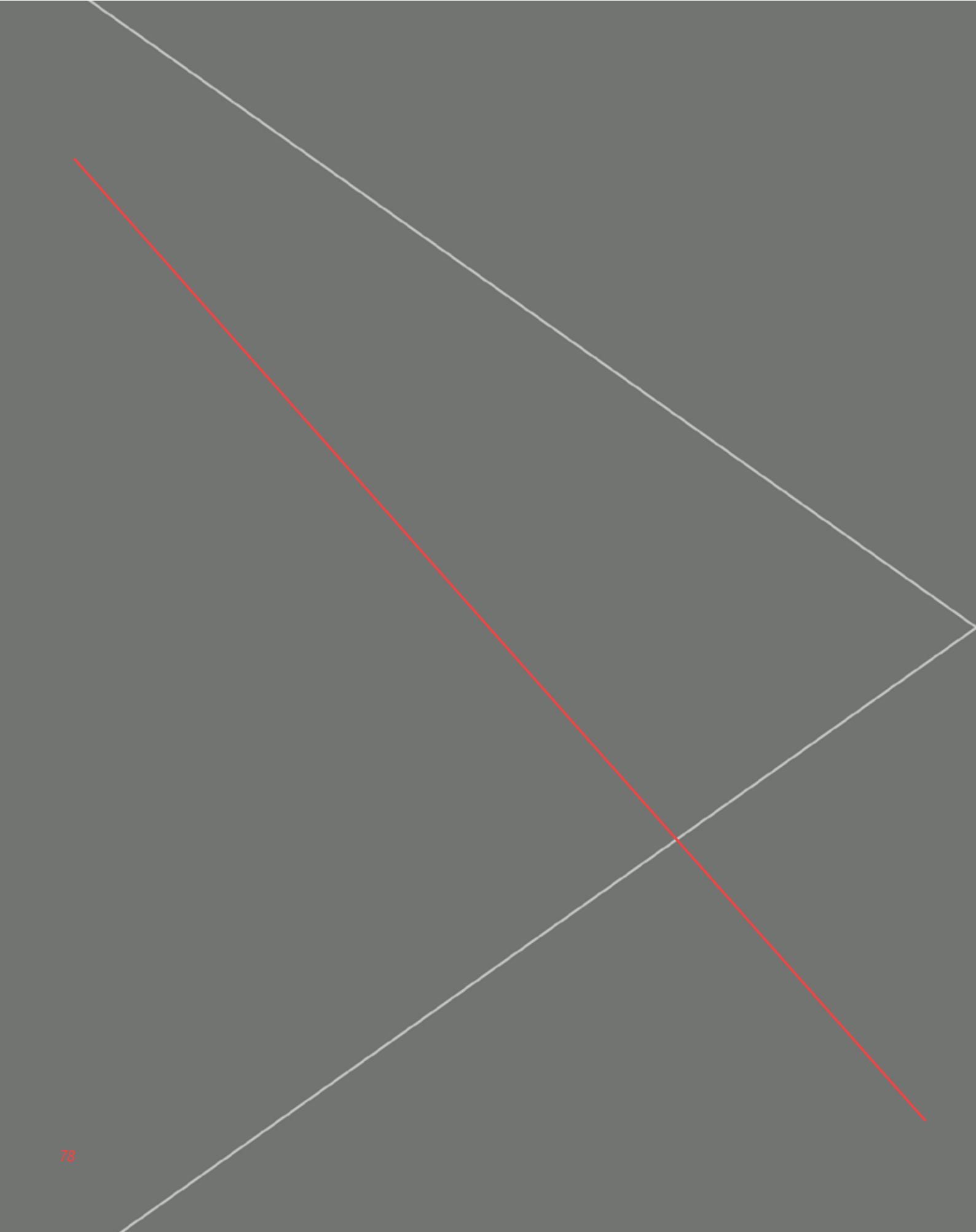
Making Finance Work for Africa (MFW4A) website <http://www.mfw4a.org/nc/knowledge-center/resources/documents/documents-details/file/making-access-possible-swaziland-synthesis-report.html>

CGAP website: <http://www.cgap.org/blog/understanding-typical-financial-behavior-myanmar>

CleanStart

CleanStart Connections were published in late 2013 and early 2015. http://www.uncdf.org/sites/default/files/Documents/CS-Connection-All-Low-Res_FINAL.pdf
http://www.uncdf.org/sites/default/files/Documents/csconnections2_5-4-15_final_lowrez.pdf







Annex. Results Against the Results Resource Framework

Intervention logic	Progress/Achievements
Making Access Possible (MAP)	
<p>Intermediate Outcome 1: <u>Development of national financial inclusion roadmaps identifying key drivers of financial inclusion and recommending appropriate national action (MAP).</u></p> <p>Target: National financial inclusion strategies and roadmaps in 16 countries in 4 years.</p> <p>Indicator:</p> <ol style="list-style-type: none"> 1. Number of comprehensive country-level financial inclusion diagnostic; 2. Number of stakeholder workshops 3. Governments buy-in/ EOIs from Central Banks 4. Roadmaps (final version) endorsed by government. 	<ul style="list-style-type: none"> • Nationally representative evidence-base data gathered in 13 countries (DRC, Lesotho, Swaziland, Malawi, Zimbabwe, Botswana, Madagascar, Zambia, Mozambique, Myanmar, Nepal, Laos, and Cambodia), covering robust combination of demand and supply-data. • 3 countries (Myanmar, Swaziland, and Lesotho) have developed financial inclusion roadmaps. • Visibility increased and global advocacy for MAP undertaken through large global forums, namely AFI and CGAP using MAP M&E methodology and including MAP approach in their handbook on financial inclusion. • Global launch of MAP toolkits completed at AFI in 2014.
<p>Output 1: Global Technical Assistance Hub established and plan in place for enabling piloting and dissemination of MAP methodology in 16 countries in 4 years.</p>	<p>Global Technical Assistance Hub was established in Johannesburg, South Africa considering the geographical proximity to the MAP partners, FinMark Trust and Cenfri. The primary responsibility of the MAP Programme Management Unit (PMU) based in Johannesburg is to provide management oversight to the global MAP programme. The PMU have also been coordinating strategy, knowledge sharing, branding, and its roll out. The PMU utilizes a combination of in-house resources and outsourced capacity with approximately six full time resources from FIPA and a number of part-time resources from each of the other partners. The MAP partners will second staff into the PMU with FIPA seconding full time staff and the other partners nominating focal points on a part time basis and nominating further staff as the need arises.</p>
<p>Output 2: Diagnostic conducted and country strategy developed (co-financing of MAP diagnostic in 4 countries per year over 4 years).</p>	<p>Diagnostics have been conducted in 5 countries (Myanmar, Swaziland, Lesotho, Mozambique and Malawi); country strategy or roadmaps have been developed in 3 countries (Myanmar, Swaziland and Lesotho). For Mozambique, due to the World Bank implementing the financial inclusion framework through the Central Bank of Mozambique, the MAP diagnostic has been used as input for the World Bank Financial Inclusion framework national strategy development for Mozambique. Additionally, it has also served as input for the DFID Mozambique Financial Sector Deepening Trust work. The roadmap for Malawi is being developed.</p>

<p>Output 3: UNCDF Financial Inclusion programmes developed based on the MAP diagnostics (2 countries per year over 4 years).</p>	<p>The full diagnostic and roadmap process were completed in four countries in 2014, namely Myanmar, Thailand, Swaziland and Lesotho (but with Thailand not being able embed the roadmap). UNCDF financial inclusion programme has been developed in Myanmar following the MAP diagnostics with focus on developing the market for the low-income consumers. A steering committee has been set up to follow through on the implementation of the roadmap. In Swaziland and Lesotho, which are non-core UNCDF countries, FinMark Trust is implementing elements of the roadmap, identified as priority areas to enhance financial inclusion in Swaziland. Due to various political and other issues, the MAP programme was unable to embed the roadmap in Thailand. This was an important learning around the decision to implement a MAP programme in a country. It is important to have the full buy-in of Government and ensure that stakeholders are fully on board throughout the process so that focused programming and implementation is taken up by stakeholders.</p>
<p>Output 4: Global knowledge management agenda and advocacy with key stakeholders (CGAP, AFI, World Bank etc.) on MAP approach paving the way for replication and up-scaling globally.</p>	<p>Various initiatives have been undertaken to enhance MAP's global outreach through knowledge partnerships with key global organisations.</p> <p><u>AFI</u> The MAP toolkits detailing the MAP methodology for practitioners was launched at the AFI Global Policy forum in Trinidad in 2014 at the working group for national financial inclusion strategies. The toolkits have also been shared with the AFI policy and regulatory team for use during their training workshops with regulators and policy-makers.</p> <p><u>World Bank</u> A joint workshop was held by the MAP and the World Bank financial inclusion teams on the different methodologies and implementation of the MAP programme and World Bank's FISF (Financial Inclusion Support Framework) programme, based on which a formal joint narrative has been developed. It has been agreed that the potential for complementarity primarily lies in the primary data generated by MAP, and the WBG capacity for supporting implementation of a wide range of financial sector reforms and actions. With the launch of the MAP and FISF, there is an increased opportunity to work closely to maximize complementarities both between the organisations and among global partner organisations. For example, the MAP and the Financial Inclusion Framework teams are coordinating closely in Mozambique, where both programmes are active. Moreover, both the World Bank Group and UNCDF work closely with other development partners including Gates, GIZ, AFI, and FSDs, globally and at the country level.</p> <p><u>CGAP</u> A close working relationship with CGAP has also been developed through a series of forums and sessions. MAP has shared its learnings and country level findings with the CGAP with a view to raising understanding on how the national financial inclusion data indicators could measure the impact they have at a national level. Additionally, MAP has collaborated very closely with the agricultural practice area of CGAP, sharing the MAP outputs, advising on the countries to enter based on the MAP experience as well as sharing the national MAP platforms like the steering committee and donor network.</p> <p><u>Other key global knowledge partners</u> A joint blog series on financial inclusion by OECD and UNCDF has been developed since 2014 and are continuing in 2015. It has been very well received by the online community and has been picked up for further action by a number of online users. The MAP methodology and findings were presented to key global partners, The MasterCard Foundation and the Bill & Melinda Gates Foundation. Utilizing the data generated from MAP, the Bill and Melinda Gates Foundation is in turn funding partners, FinMark Trust and Cenfri, to develop a data hub. Discussions have been held with Harvard University on the potential to share the MAP global data for their research on financial inclusion. The MAP approach and knowledge was also utilized in an academic presentation given at the University of Bath in the United Kingdom.</p>



<p>Output 5: Effective global programme implementation (including indirect support cost from UNCDF, FinMarkTrust and Cenfri headquarters).</p>	<p>The MAP programme was formalised within UNCDF and the programme document for the period 2015-2020 was approved by the PAC in December 2014. This demonstrated UNCDF’s commitment to the MAP methodology, enabled us to make firm commitments to partners, FinMark Trust and Cenfri, around the contracting modalities, clearly identified the programme support required over the 5 year period, and delineated the roles and responsibilities for the various partners and the different players within UNCDF’s country and regional structures.</p> <p>Additionally, the development of the programme document enabled us to clearly identify the capacity constraints of using small organisations like FinMark Trust and Cenfri. To overcome this, the MAP is in the process of developing additional capacity through training other consultants on the MAP methodology. FinMark Trust have contributed a large proportion of the indirect support costs for the MAP Southern African Development Community (SADC) implementation through their regional DFID funding.</p> <p>Raising resources to fund MAP at country level has been positive with completion of all MAP diagnostics with a shared funding model. Most significant of these have been DFID, IFAD and more recently for Asia, AusAid and the Netherlands Development Finance Company (FMO).</p>
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CleanStart

<p>Intermediate Outcome 2: <u>Increased sustainable access to clean and affordable energy by more than 2.5 million clients (low-income households and micro-entrepreneurs) through microfinance loans (CleanStart)</u></p> <p>Target:</p> <ul style="list-style-type: none"> - By 2017, up to 2.5 million clients secure access to sustainable decentralized clean energy supplies through microfinance loans; - By 2017, CleanStart programme is operational in 6 countries and at least 10 additional LDCs and developing countries adopt the CleanStart methodology. <p>Indicator:</p> <ol style="list-style-type: none"> 1. Number of people that secure access to low-cost decentralized clean energy supplies; 2. Number of LDCs and developing countries where CleanStart methodology is Adopted. 	<p>Following the county assessments conducted in 8 countries in Asia and Africa, CleanStart is now fully operational in 2 countries (Nepal, Uganda) and a country strategy for Ethiopia is being reviewed by the Government currently. As a result, as of end 2014, over 53,000 clients have been able to secure access to energy. In Nepal, more than 10,600 poor people have had access to clean technologies, such as solar lighting and improved cooking solutions as a result of CleanStart’s support. CleanStart’s strategic partner for energy microfinance, PAMIGA (Participatory Micro Finance Group for Africa), is operational in 3 countries (Cameroon, Tanzania, Ethiopia). As a result, 644 financing pico-solar kits that have lighting and mobile phone charging functionality have been sold to increase solar access to the low income households, and knowledge have been shared on practitioner toolkits.</p>
<p>Output 1: Finance for Clean Energy to strengthen capabilities of 18 MFIs to provide microfinance for clean energy to low income households and micro-entrepreneurs</p>	<p>Six partner financial service providers from Nepal and Uganda have been selected through a competitive selection process and provided with capacity building support to facilitate their microfinance operations for clean energy.</p>
<p>Output 2: Technical Assistance for Clean Energy to remove barriers to the successful deployment and commercialization of those technologies and services for which the selected MFIs will provide microfinance</p>	<p>The partner financial institutions in Nepal have been trained on a digital data collection method to collect more qualitative data on how clients purchase and use clean technologies.</p>

<p>Output 3: Global Knowledge and Learning to enhance understanding and awareness globally of the potential for micro finance to scale up access to clean energy</p>	<p>Annual forums called 'CleanStart Connect' have brought together stakeholders, such as energy enterprises, financial service providers, investors, government and NGOs to discuss and find ways to work together in building an ecosystem for energy businesses serving low-income consumers to reach scale and impact. So far, the two forums have helped CleanStart to build a constituent that provide not only business opportunities, but reality checks on how the energy market is moving.</p> <p>Several publications have been produced on the role of financing in expanding the energy access market for the low-income segment.</p>
<p>Output 4: Advocacy and Partnerships to create an enabling policy and business environment to expand microfinance for clean energy</p>	<p>The partnership with the PAMIGA has resulted in a series of co-organizing knowledge sharing events and development of practitioner toolkits (on top of downstream outreach to the low income household through sales of solar kits).</p>
<p>Output 5: Effective global programme implementation</p>	<p>Programme Implementation team has been established and functional with three staff, including the Programme Manager, Programme and Knowledge Management Analyst and Project Associate. The Programme is now focused on building in-country staffing to closely deliver and monitor results at the country level.</p>
<h2 style="color: red; margin: 0;">YouthStart</h2>	
<p>Intermediate Outcome 3: <u>Increased access to appropriate financial and non-financial services to youth (15 to 25 years old), with an emphasis on adolescent girls and young women, to equip them to make more informed financial decisions, build financial and social assets for their futures, and create sustainable livelihoods (YouthStart)</u></p> <p>Target: 800,000 low-income youth (15 to 25 years old), with an emphasis on adolescent girls and young women.</p> <p>Indicator: Number of accounts, unbanked new subscribers specifically youth, new products adapted to youth, jobs created for youth, map of policies governing the youth economic opportunities environment</p>	<p>Under the regional pilot of YouthStart in Africa, the programme has provided access to financial services to almost 570,000 young people of which 47% are young women. Almost 560,000 have also participated in financial literacy training.</p> <p>Since April 2015, when the YouthStart Global programme was launched, until today, the programme has conducted analysis of the youth economic opportunity ecosystem in 7 different countries (Rwanda, Zambia, Benin, Mozambique, Senegal, Malawi and Uganda).</p>
<p>Output 1: 800,000 youth (15 to 24 years old) in particular young women, youth living in rural areas and out-of school youth will access quality financial and non-financial services to either transition from school to work at the right time, secure decent work or start/expand their own businesses</p>	<p>Mapping of youth employment and entrepreneurship initiatives and supply of youth financial services is completed in 7 countries (Rwanda, Zambia, Benin, Mozambique, Senegal, Malawi and Uganda)</p> <p>A preliminary workshop was conducted in 4 countries (Rwanda, Zambia, Benin and Mozambique) with YSOs, FSPs, NGOs, INGOs, UN Agencies, private sector such as microfranchisors and MNOs etc. to present results of the ecosystem analysis for validation. The final workshop is to be conducted in September 2015 on the ecosystem analysis aiming at its publication in October. An additional ecosystem analysis is to be conducted in Q4 2015</p>



<p>Output 2: Youth Serving Organizations, Non-Governmental Organizations, Financial Services Providers and other stake holders in 10 to 15 countries will be equipped to better respond to the needs of 800,000 youth (15 to 24 years old) in particular young women, youth living in rural areas and out-of-school youth through coordinated programming</p>	<p>Activities under this output will start in Phase I (target date: Q3 2016).</p>
<p>Output 3: Policy makers, regulators and other stake holders in 10 to 15 countries will take coordinated actions to develop policies and regulatory frameworks that facilitate an enabling environment for greater economic opportunities for youth</p>	<p>Analysis of policies governing the youth economic opportunities ecosystem is completed in 4 countries (Rwanda, Zambia, Benin and Mozambique).</p> <p>A series of multi stakeholder meetings have been conducted to engage and gain buy-in from the key government officials in Mozambique, Rwanda, Zambia and Mozambique to date.</p>
<p>Output 4: Effective global programme implementation</p>	<p>A consultant has been recruited to support the policy work of the programme.</p>

Mobile Money for the Poor (MM4P)

<p>Intermediate Outcome 4: <u>Increased number of low-income households, micro and small enterprises in LDCs that have on-going access to quality, affordable financial services, particularly Savings (MM4P)</u></p> <p>Target: Four million additional individuals and/or small and microenterprises in the LDCs have access to one or more appropriate financial services through branchless banking by the end of 2017, including 1.2 million that were previously unbanked and 1.4 million with a second generation service.</p> <p>Indicator: Number of accounts, unbanked new subscribers and new products adapted by existing clients related to programme support.</p>	<ul style="list-style-type: none"> • Malawi has reached over 350,000 active adult users (2.8%), an increase of 348,000 since 2012 • Nepal has reached over 100,000 active adult users (<1%) from 2,500 in 2012. • Central Bank of Liberia has introduced new mobile money regulations that allow for non-bank operators to offer services • Bank of Lao PDR has issued mobile money guidelines to allow both bank and non-bank actors to apply for licenses • NCELL, the largest mobile network operator in Nepal has approved a business plan to enter the digital financial services (DFS) market • The largest remittance provider in Nepal has agreed to work on a business plan to enter the DFS market • Public-private DFS Working groups have been established in Lao PDR, Nepal, Malawi and Uganda, creating the first industry-wide forum to discuss issues and resolve problems.
<p>Output1: Scalable and replicable projects created that deliver appropriate financial services to low-income persons, small and microenterprises, including women and those in rural and remote areas.</p>	<ul style="list-style-type: none"> • Launch of full programme in Uganda with Bank of Uganda (BoU), contracting of MicroSave to lead ecosystem activities, initiation of coordination groups, and identification of first round of partners and projects for support • Completion and publishing of initial research and first round of business cases in Nepal, deepening of relationship with Nepal Rastra Bank (NRB) necessary to begin removing regulatory barriers • Finalization of first DFS businesses cases and pilot plans in Lao PDR, launch of Bank of Lao (BoL) led DFS Working Group and issuance of DFS pilot guidelines • Adaptation of MM4P Liberia efforts to UN Ebola response • Preparation mission in Zambia and Senegal and development of country strategies, negotiated cooperation with FSD Zambia

<p>Output 2: Market and client research is conducted and shared to enable policymakers, providers and others to build appropriate products and delivery mechanisms.</p>	<ul style="list-style-type: none"> • A 3-5 year strategy for Malawi, Senegal and Zambia have been drafted, and revisions made to Nepal and Lao PDR, putting forward a customized ecosystem approach, which addresses the key elements of DFS market development.
<p>Output 3: Relevant policy makers, donors and other stakeholders are supported and empowered to make decisions and take coordinated action and allocate resources to enable partners to achieve their targets.</p>	<ul style="list-style-type: none"> • Conclusion of a new funding agreement with Metlife Foundation for partner support in Nepal and conclusion of MasterCard Foundation agreement for three country expansion (Benin, Senegal and Zambia) and official launch event for the expansion • MM4P/European Investment Bank (EIB) scoping reports of seven markets completed • MM4P-led Field visit of Central banks and Ministries of Finance from eight countries completed in Tanzania • USAID agreement reached for Government to person (G2P) payments in Malawi
<p>Output 4: Knowledge created and shared so that partners and industry have access to local market intelligence and information on global best practices.</p>	<p>MM4P finalized 9 publications, including 3 research reports, a summary report and 6 briefing notes in the reporting period. The major pieces include: Digital Financial Services: Behind the Kenya Success Story; Assessment of Agents Networks in Nepal; Identifying Potential Agents in Nepal, Understanding the Demand for Financial Services in Nepal.</p>
<p>Output 5: Effective global programme implementation.</p>	<p>MM4P'S Project Management Unit (PMU) is fully operational with 3 1/3 full time equivalent staff and one full time and two part time consultants. New posts are being recruited to accommodate the needs of expansion including two international posts and programme management support unit posts, etc.</p>

Inclusive and Equitable Local Development (IELD)

<p>Intermediate Outcome 5: <u>Support local authorities in the LDCs to design, plan, implement and sustain local economic investments that take into consideration the differentiated and specific needs and priorities of poor women and men, with a particular emphasis on unlocking barriers to women's economic opportunities and empowerment.</u>¹</p> <p>Target: TBD (To be finalized during the inception phase of the Global Project)</p> <p>Indicator: TBD (To be finalized during the inception phase of the Global Project)</p>	<p>IELD Global Project Document is being finalized jointly with UN Women and UNDP. This multi UN programme has completed internal appraisal in each entity. A unified appraisal meeting is scheduled for September, which will mark the official start of the global programme.</p> <p>To prepare for the programme there was a major IELD Advocacy Event "<u>Gender and Local Economic Development: Unlocking Domestic Capital for Women's Economic Empowerment & Entrepreneurship</u>" during Convention on the Status of Women (CSW): Sweden and Canada were represented at Minister level and Tanzania by its Ambassador to the UN. The link above includes a full video recording of the meeting, which was very well attended.</p> <p>IELD advocacy materials: A <u>brochure</u> has been published that details the approach and activities of the project. The first of its kind gender sensitive local economic assessment is being finalized with the support of UN Women and UNDP.</p>
<p>Output 1: Setting the baseline (country mapping and LEA) and identifying entry points for the programme interventions.</p>	<p>During 2014 scoping missions were carried out in Bangladesh and Nepal to identify entry points for the programme. Further assessments were carried out in Mozambique, Tanzania and Ethiopia. The Bangladesh assessment resulted in a framework document for the implementation of IELD in the country. However, the start-up was delayed due to the situation in the country. In Mozambique, all three agencies expressed a desire to begin IELD programming based on UNCDF's long term experience in local investments. In Tanzania the IELD start-up will be based on UNCDF's existing local economic development programme. Further detailed preparation will take place in 2015 to ensure that the project quickly gets up to speed following project approval.</p>

<p>Output 2: Strengthening local governance in order to promote local economic development, women’s empowerment and improve service delivery.</p>	<p>To be started in 2015</p>
<p>Output 3: Developing and implementing innovative finance approaches to local economic development in targeted sectors with particular regard to gender development and empowerment</p>	<p>Together with New York University work was carried out on a gender sensitive local economic assessment. This assessment is an adaptation of an earlier methodology developed by the MIT. The purpose is to assess the impact of different investment Local Economic Development options on women’s economic empowerment.</p> <p>Also with New York University, work began on the impact assessments for individual local investment projects on women’s economic empowerment. The objective is to go beyond basic indicators (such as the number of women employed) and to calculate instead changes in women’s role in the economy.</p>
<p>Output 4: Increasing knowledge sharing and achieving policy, legal and regulatory improvements through lessons learnt to support Output 1 through 3 in additional countries.</p>	<p>To be started in 2015</p>
<p>Output 5: Effective programme management (including evaluation).</p>	<p>The global programme will initially be implemented in four to five pilot countries over a four-year period.</p> <p>With an initial inception phase budget of \$450,000 of which \$250,000 are seed capital contribution from Sida and \$200,000 from UNCDF core resources, the inception phase work plan illustrated below details the activities to be undertaken and achieved by 2015 year end. These mainly evolve around the following overall targets:</p> <ol style="list-style-type: none"> 1. Development of the first UN system wide gender responsive local economic assessment tool. 2. Development of training modules targeted to local authorities on gender and local economic development; this includes the entire process of public management expenditure cycle, gender responsive planning and budgeting, gender investments, gender and labor markets, monitoring and evaluation among other modules. 3. Engendering of UNCDF’s financing instruments, including the local development (LD) Fund, G2P and Local Finance Initiative (LFI) financing instruments. By doing so, gender will be mainstreamed in all future programming in the LD Finance programme areas. 4. Knowledge management and connecting IELD to UN Women’s global gateway on women’s economic empowerment. <p>IELD as a project concept was approved by UNCDF Appraisal Committee in January 2014. Many countries are expressing strong interest in piloting IELD. Demand is now being evaluated in Mozambique, Bangladesh, Zambia, Tanzania, Ethiopia, Burkina Faso and Senegal.</p>

Local Climate Adaptive Living Facility (LoCAL)

Intermediate Outcome 6: Increased investment in local-level climate change adaptation measures in a minimum of 4 countries per region beginning in the Asia-Pacific Region and moving to Africa (LoCAL Global Programme)

Indicator:

1. % increase in local government budgets for Climate Change Adaptation (CCA) activities
2. Proportion of CCA financing between local/national/international sources
3. Increase in number and type of sources of financing for CCA accessible to local governments projects on relevant infrastructure

- 29 local governments representing 4 million people are now using the performance-based climate resilience grants (PBCRG) system.
- 92 small scale climate resilient investments have been selected and under implementation in Benin, Bhutan and Cambodia.
- Scoping work to design the LoCAL Phase I was conducted/furthered in four new countries, Ghana, Mozambique, Niger and Solomon Islands.
- As part of the LoCAL phase III, the PBCRG mechanism was adopted in the 5 years Local Government Support Development Programme (LGSDP) in Bhutan
- Six high-level awareness raising and advocacy initiatives completed at global level.

Output1: CCA is mainstreamed into national and local government planning and budgeting systems in participating countries

Indicators 1.1 & 1.2: Number of participating countries and local governments

A total of 24 pilot local governments involved in year 1 (2014) under the rollout of LoCAL at regional and global levels. As of December 2014, Phase I and II LoCAL programmes have been designed and adopted (Memorandum of Understanding signed) in seven countries (Bangladesh, Benin, Bhutan, Cambodia, Laos, Mali, and Nepal). Within these seven countries, 29 local governments are using the PBCRG system, which exceeds the 2014 target of 16 local governments in 2 countries for year 1 (2014). In Cambodia, local government plans and budgets with climate change adaptation activities were approved in all 8 participating local governments.

Indicator 1.3: Percentage of participating governments which have integrated the PBCRG in their intergovernmental fiscal transfer system
59% (compared to a target of 30% (indicator 1.3) of participating local governments now have integrated the PBCRG system in their public expenditure management/ intergovernmental fiscal transfer system. 14 of these local governments are in the original pilot countries (Bhutan and Cambodia) and 3 in a new country (Benin).

Scoping work to design the LoCAL Phase I has been conducted and furthered in four countries, Ghana, Mozambique, Niger and Solomon Islands.

More countries across Africa, Asia and the Pacific are expressing interest in joining LoCAL and requesting scoping work in 2015, demonstrating the continuing relevance of the LoCAL approach and the UNCDF performance-based climate resilience grant methodology.

Indicator 1.4: Identification of adaptation and resilience projects/measures
Globally, 89 local projects have been formulated including 24 local infrastructure projects in Bhutan and 65 projects in Cambodia.

The infrastructure projects, currently under implementation by the local governments in Bhutan such as construction of causeways, farm roads, and drainage systems will have direct impact on 10,693 people and indirectly benefit the wider population of 49,771 people in the surrounding area.

In Cambodia, 35 local infrastructure projects such as flood escape routes, community ponds and culverts will benefit 680,000 people in eight districts. The remaining 30 projects focus on capacity development activities for the local authorities and the community to increase their knowledge on climate change vulnerability and adaptation interventions.

The identification of projects in the new participating countries such as Benin is underway for implementation in 2015.

Output 2: Increased awareness of and support for the role of local government in CCA.

Indicator 2.1: Timeliness and approval of local government plans and budgets with climate change adaptation activities Local government plans and budgets with climate change adaptation activities were approved in all 8 participating local governments in Cambodia.

Indicator 2.2: Percentage change in implementation of climate change activities (percentage change in budget dispersal) In 2013, 25% of the budget of participating local governments in Cambodia for climate change activities was implemented vs. the target of 60%.

Indicator 2.3: Number and type of sustainable awareness and advocacy tools developed and implemented In 2014, six high-level awareness raising and advocacy initiatives were undertaken by LoCAL and its participating countries to raise awareness and advocate for the role of local governments in climate change adaptation at the global level.

These includes:

- Launch of the LoCAL Forum to facilitate exchange between LoCAL participating countries and other stakeholders on the role and function of local governments in addressing climate change adaptation. As a result, the strategy and approach to increase the national and international awareness of the local government role in implementing climate change was drafted.
- A conference in Nepal highlighting how the PBCRG mechanism facilitated climate change adaptation implementation down to the local government level in Cambodia, resulting in the launch of the Kathmandu Declaration on Financing Local Adaptation.
- The Small Islands Development Stats (SIDS) conference in Samoa highlighting the LoCAL mechanism as a partnership model to support local governments in performing their role to increase community resilience to climate change effects. An immediate result was an invitation by the Prime Minister of Tuvalu extending an invitation to LoCAL to support their local governments' capacities in dealing with climate change adaptation.
- The Climate Change Summit in New York in September 2014 which brought the LoCAL participating countries (led by the government of Benin, as Chair of the LDC Group at the UN) together to raise the issue of local governments in implementing climate change adaptation activities to increase resilience in LDCs.
- The 20th Conference of the Parties in Lima, supporting participating countries in furthering their exchange and joint advocacy work for the benefits of LDCs and local governments.

As a result of these various efforts, the role of local governments in addressing climate change was discussed at the Ministerial Meeting of Asia-Pacific LDCs on Graduation and Post-2015 Development Agenda, 16-18 December 2014, Kathmandu, Nepal, and LoCAL highlighted in the Declaration as key mechanism "for LDCs to enhance their local governments' capability to discharge their responsibility in the implementation of the National Adaptation Plans".

LoCAL focal points from six participating countries (Laos, Cambodia, Benin, Niger, Mali and Mozambique) were trained on climate change and resilience at "The Hague Academy for Local Governance" to increase their knowledge on vulnerability assessments, the development of climate change adaptation strategies and plans, and performance-based climate resilience grants. As a result, it was agreed with "The Hague Academy for Local Governance" that a LoCAL training package will be developed for government officials in charge in LoCAL participating countries.

As part of the scoping missions undertaken in the new participating countries, seven in-country workshops were organised to raise awareness on climate change and local governments and LoCAL. In addition, training was held for 24 local governments across five countries, resulting in approval of climate change adaptation plans in all eight participating districts in Cambodia, three local governments (Gewog) in Bhutan, three local governments in Nepal, two local governments in Bangladesh, as well the validation of the approach in one district in Mozambique.

<p>Output 3: Increased amount of finance available to local governments for CCA and resilience</p>	<p>Effective delivery of grants (2014, USD) In 2014 USD 1,165,410 of the PBCRG together with support for operations was delivered to the seven countries (Bangladesh, Benin, Bhutan, Cambodia, Lao PDR, Mali, and Nepal).</p> <p>Thanks to the positive results of LoCAL during Phase I, LoCAL moved to Phase II in Bhutan, with funding from the EU, as well as in Cambodia, with funding from SIDA (earmarked for Cambodia). Furthermore, LoCAL has developed concept notes for scaling up the initiative towards a national roll out (phase III) in Bhutan (under the LGSDP Framework) and Cambodia.</p> <p>In Bangladesh, LoCAL phase II will be supported by the EU Global Climate Change Alliance+ Bangladesh as part of a joint programme of UNCDF and UNDP for a total amount of EUR 8 million, half of which will be delivered through the LoCAL mechanism.</p> <p>In Mozambique, LoCAL took major steps in developing a partnership with the Belgian Cooperation to support an expanded phase I (EUR 1.7 million) for LoCAL implementation to begin in 2015.</p>
<p>Output 4 : The project is effectively, efficiently and transparently implemented in line with UNCDF project management regulations</p>	<p>The LoCAL Project Secretariat has played a critical role in the effective launch of the global project across countries, and in raising awareness and mobilizing political support from central government level ministries and institutions.</p> <p>The Secretariat worked towards improving monitoring and reporting processes and ensuring transparent and accountable financial reporting by participating countries. For example, the Secretariat facilitated the continuation of LoCAL implementation in Bhutan and Cambodia, with a special emphasis in strengthening monitoring tools as well as capacities for monitoring at the country level. More work in developing baselines and where needed targets under the global project results and resource framework, as well as ensuring alignment between the various levels of monitoring and reporting (local, national and global) is planned for 2015 and 2016.</p> <p>In 2014, the LoCAL Secretariat expanded the LoCAL programme team by hiring a Project Manager (Africa), who also contributes to the global project. The first LoCAL Global Programme Board Meeting was held in New York in June 2014. The meeting was attended by LoCAL participating countries (Bhutan, Benin, Cambodia, Mali, and Nepal), UNCDF, and partner organizations, such as the Korea Environment Institute (KEI) and the World Resources Institute (WRI) resulting in approval of the 2014 LoCAL work plan.</p> <p>The Secretariat also initiated work to standardize the approach to scoping and country design processes.</p>



Local Finance Initiative (LFI)

Intermediate Outcome 7:

Domestic capital for inclusive, sustainable and gender equitable Local Economic Development (LED) (LFI Global Programme)

Indicator:

- Domestic financial sector provide financing for small to medium-sized LED infrastructure projects;
- Public sector funding has been effectively leveraged to mobilize significant private sector financing for LED projects

LFI is supporting 36 investment projects (small and medium size infrastructure) at different stages of development originated by public and private developers in Tanzania, Uganda and Senegal. These projects covers cross-cutting thematic intervention such as cross-border businesses, gender equality, environment, and food security; spread across agro-processing, renewable energy, community infrastructure, telecommunications, and industrial-manufacturing sectors. The seven most advanced projects are expected to reach financial closure within the next 6-9 months and expected to access \$44 million of domestic capital in the form of debt and \$3 million of grants.

Output 1: Improved capacities of public and private project developers to identify and develop small-to-medium sized infrastructure projects.

Output 1.1: Processes, methodologies and enabling tools are designed to identify and develop infrastructure projects for LED.

- 5 in-house project development and finance toolkits have been developed and utilized to identify investable projects.
- The new tools and strategies are being developed including 1) SME finance methodology and process flow; 2) Call for investment proposals; and 3) a draft concept paper designed to support the scale up of the LFI approach in Local Government Authorities (LGA's).
- With a view to mainstreaming gender equality, the LFI has included gender elements in the 2015 call for investment proposals to capture gender equitable projects in the selection process.

Output 1.2: Local capacity established to enable national and local government officials and the private sector to identify and develop infrastructure projects essential for LED with support from development partners.

- About 200 officials from LGAs, financial Institutions and business entrepreneurs in Tanzania have received project finance training and skills on idea generation and business formation in 2014.
- More than 120 participants such as project developers and bank officials received a complete set of training manuals usable at their work, contributing to their work efficiency.
- More training and outreach materials have been posted on the UNCDF LFI webpage for further dissemination internally and externally.
- LFI approach and programme was disseminated nationwide in print and digital media.

Output 1.3: Ten to fifteen proof of concept demonstration LED projects identified, developed and structured in Tanzania to jumpstart process and create a multiplication effect through "learning by doing" and incentivizing stakeholders.

- The LFI project pipeline was further diversified in 2014 to include eight additional local government projects in Tanzania.
- Two new projects were added to the LFI pipeline as a result of technical missions organized by the LFI.
- A total of \$210,000 seed capital (grants) was disbursed to 3 Tier 1 projects on power and natural resource schemes in Tanzania; Tier 1 projects have increased from 5 to 12 to date; Tier 2 projects are now 6 (instead of 4 as at 30 June 2014), and 12 Tier 3 projects in Tanzania.

Output 2: Increased ability and willingness of domestic financial sector to provide financing for small to medium-sized LED infra-structure projects.

- UNCDF has secured \$4.2 million for Global LFI to be used until end of 2017 for direct investment/seed capital into local companies.
- As a result of LFI engagement, Tanzania, Uganda, and Senegal have been managing 36 investment projects with expectation to access \$44 million of domestic capital in the form of debt and \$3 million of grants.
- LFI technical team has provided training to key stakeholders of the Kalemawe Agricultural Dam development project in the Same district, Tanzania, resulting in a multi-stakeholder project (institutional set up, ownership, project development, governance, management and financing is being developed).

1. The IELD programme is in the Inception phase. A global project document will be produced by end of 2014 and the global programme RRF will be made available by 12/31/2014. Please see <http://www.uncdf.org/en/inclusive-and-equitable-local-development-ield> for more details.



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