Briefing by

Marc Bichler
UNCDF Executive Secretary

to the

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Preliminary 2013 results and
UNCDF’s Strategic Framework 2014-17

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Mr. President,
Excellences,
Distinguished Delegates,

Let me start by congratulating you Mr. President and the new members of the Executive Board on your election to our governing body.

From the outset I would like to thank UNDP Associate Administrator Rebeca Gryspan for her kind introduction to this Executive Board session on UNCDF’s preliminary results of the year 2013 and UNCDF’s Strategic Framework for the period 2014-2017. I would also like to thank Rebeca and UNDP Administrator Helen Clark, as our Managing Director, for their ongoing support to UNCDF’s work and the fruitful interaction with their teams in drafting UNCDF’s Strategic Framework.

The sessions of the Executive Board are privileged moments throughout the year to report to and interact with our closest partners. Especially in January these sessions provide us the opportunity to look back on past achievements and – together – have an informed exchange of views on what is to come over the next 12 months, as well as over the medium term. But I am also happy to report that our interaction is not limited to these formal occasions. The Stakeholders Consultations, as the Executive Board had prescribed them in June 2012, have proved to be a worthwhile exercise to discuss the evolving international environment in which we all operate, the options that are on the table and the strategies to adopt in order to increase the relevance of our interventions focusing on the Least Developed Countries (LDCs). With my colleagues at UNCDF, I am committed to keep up this new tradition of somewhat less formal meetings with the Executive Board members, as well as with our partners from member states, the civil society and the private sector. We are convinced that bundling the expertise of partners with different backgrounds for a common objective is the best way to organize effectiveness. In that spirit, the Stakeholders Consultations of last November allowed us to present a first draft of UNCDF’s Strategic Framework 2014-2017. I am convinced that during the preparation
phase of the post-2015 development framework and the discussion around sustainable financing for sustainable development, exchanges of that kind will become more relevant and useful than ever.

Before I turn to UNCDF’s preliminary results for the year 2013 and the Strategic Framework 2014-2017, let me point to the biggest challenge that UNCDF had to face last year and is still facing today.

In 2013, during the Executive Board sessions in January and in June, I drew your attention to the urgency to address the challenge of chronically insufficient levels of UNCDF core resources, especially in view of programme reserves that are now used up. I felt that it was my duty to describe in so many words the threat of being forced to step down our interventions in LDCs, if our core budget, that we use primarily as investment capital for new programmes and projects, were not increased. Over the past twelve months, we left no stone unturned to impress this harsh reality on our closest partners, as well as on potential new donors.

In doing so, at UNCDF, we are fortunate to work on the basis of a unique financial mandate that allows us to promise and to deliver substantial leverage in non-core contributions for the core contributions that we are entrusted with. During 2013, this trend was confirmed, but it must be our clear common understanding that only additional investment capital can trigger even higher leverage in non-core funding.

On a positive note – and even though we still cannot call off the alarm on the situation of our core budget – I am happy to report that some donor governments have heeded our call and were able, as of 2013, to increase their core contributions or come on board as new core donors. For that, I would like to convey our heartfelt thanks to the governments of Switzerland, Luxembourg and Liechtenstein. Together with our other key core donors who sustained their support, most notably Sweden, our largest core donor, these partners acknowledge that without a minimum of core contributions serving as investment capital in LDCs, UNCDF will not be able to deliver on its business model that is meant to
prepare the road for other financial partners to come on board. Hence my renewed call today, to donor governments, to consider new or higher core contributions to UNCDF, on the basis of our commitment to leverage your ODA with add-on financing from institutional and private sector donors and investors. Only if our estimated core budget of 16 million USD for 2014 can be stepped up by an additional annual 9-10 million, will we be able to continue our work in 40 LDCs and help implement their Istanbul Program of Action, accompanying half of the LDCs to graduation by 2020.

I am not shy to repeat this call for additional core funding today, because I have full confidence in our capacity to deliver in terms of development results as well as in terms of financial leverage. The preliminary institutional and operational results achieved by UNCDF in 2013 are here to document my claim.

For the past year, thanks mainly to increasing non-core contributions, UNCDF’s total revenue is reaching some $59.8 million USD up from $55 million in 2012. The diversification of UNCDF’s donors also continued to improve in 2013 with 36 donors, up from 29 in 2010. Donor contributions to UNCDF’s 2013 resources included $12 million USD from seven major private sector foundations and corporations, representing 20 percent of total income. UNCDF’s ten largest donors in 2013 were: One UN funds (multi-donor), Sweden, The MasterCard Foundation, Belgium, Australia, the Bill & Melinda Gates Foundation, the European Commission, Switzerland, Luxembourg and Norway.

Non-core resources reached a record high of $43.7 million USD in 2013, an increase of twelve percent from 2012. Non-core resources have increased more than 300 percent over the past seven years and are expected to continue to grow in 2014 based on signed commitments. Core resources reached some $16 million in 2013 – a slight increase over 2012 – yet still falling well short, as I pointed out earlier, of the estimated $25 million minimum threshold level required to sustain UNCDF operations in 40 LDCs. We are
hopeful – and confident – that other member states in a position to do so will be able join forces with UNCDF’s existing core donors.

With regard to the preliminary results produced in 2013 in our two programme areas of Inclusive Finance and Local Development Finance, I would like to stress the fact that the development results achieved are based to a large extent on strategic synergies between those two programme areas.

With regard to our Local Development Finance Programme Area, UNCDF has launched in 2013 a new strategy with a stronger focus on generating catalytic financing models from both public and private sources. The objective is to prove concept and to trigger scaling-up with the financial help of governments, international financial institutions and other investors.

In the local development finance programme area we have provided capacity building and investment support to over 7,000 local public entities at different administrative levels over the past year. UNCDF is increasingly partnering with UN agencies and others to link development objectives, such as climate change adaptation, food security, gender equality, cross-border cooperation and local economic development to its platform of local investment delivery. These activities demonstrate the effectiveness, efficiency and accountability of local delivery systems and contribute to poverty reduction and inclusive growth in the LDCs.

Also during 2013, UNCDF launched its facility to provide LDCs access to climate finance, with a view to increase the resilience of their local communities and economies through local public and private investments. 25 per cent of the LDCs are expected to join the Local Climate Adaptive Living Facility or LoCal by the end of the first quarter of 2014.
In our Inclusive Finance Programme Area, in 2013, we have provided support to 112 different financial institutions with over 9 million clients, 52% of whom are women. Let me point out that, for the sake of higher development results, traditional microcredit and microfinance activities are today incorporated within the broader concept of “Inclusive Finance”. In 2013, UNCDF had on-going Inclusive Finance programmes in 30 LDCs. We have successfully launched our new country level inclusive finance diagnostic and programming tool called “Making Access To Finance Possible” – or MAP – with multi-donor support in a number of countries, including Myanmar. MAP encompasses a comprehensive analysis of existing obstacles to financial inclusion at the country level, followed by a roadmap towards financial inclusion for all stakeholders and development partners to own and to join.

In addition, UNCDF has developed a number of global programmes linking microfinance to specific development results and needs: for example, enabling access to clean energy at household and micro-enterprise level, promoting youth employment and financial literacy, exploring mobile money solutions to help LDCs leap-frog innovations to support financial inclusion. UNCDF is also helping to scale-up access to financial services through South-South cooperation, in regions and countries were financial inclusion remains a particularly difficult challenge.

Like in previous years, UNCDF’s activities in the field of financial inclusion must be seen as a complement to the high-level advocacy mandate of the UN Secretary General’s Special Advocate for inclusive finance for development, Her Majesty Queen Máxima of the Netherlands.

2013 also saw a continued growth in UNCDF’s role in promoting electronic payment systems and mobile banking through enhanced donor support. Most importantly, the Better than Cash Alliance funded by USAID and six private sector partners, with UNCDF acting as secretariat, saw a healthy increase in the number of countries, corporate entities and UN agencies joining the Alliance by committing to the transition
from cash to electronic payment systems. In 2013, the BTCA also welcomed new donor members, including Mastercard Worldwide.

Mr. President,

During the Executive Board session in June 2013, I highlighted UNCDF’s commitment to contribute in a meaningful and concrete way to the post-2015 development agenda and the necessary means of implementation. In the specific context of the discussion on financing for development, I had informed the Board of our intention to reach out to institutional and private sector investors and to explore the option of establishing an investment vehicle to do so.

Seven months later, I am confident that today a new range of institutional and private sector investors share with UNCDF the double concern for economically viable development projects with a well-documented social and/or environmental impact. On the background of this new reality, the promise of new and increased flows of financing towards the developing world is coming within reach. I will come back to this topic in presenting our Strategic Framework of which this innovative strand of thinking and working is an integral part.

Mr. President,

The annual session of the Executive Board in June this year will provide us with the occasion to present the results that UNCDF achieved in 2013 in much greater detail through our annual report. That report will also document the results of one mid-term evaluation and two final evaluations that UNCDF completed last year. As a learning organization, UNCDF takes the results, lessons learnt and recommendations of these evaluations to heart. Through our management response system we regularly monitor the commitments made by programme managers and senior decision makers to improve
strategy and programme implementation. Monitoring and evaluations will continue to play an important role under UNCDF’s Strategic Framework 2014-2017.

Allow me now to walk you through this important document that will guide our interventions during the next four years. I will do so by starting with the process, before coming to the substance of the document.

On process, allow me to remind us that over the past planning period UNCDF did not present a strategic framework to its Board members and partners. Orientations and guidance for our work were drawn from an internal document called the Corporate Management Plan (CMP). Altogether the CMP was a useful, action-oriented tool that served the organization well; however in 2013 – with the implementation phase of the MDGs drawing to its end, with the preparation activities for the post-2015 development framework and the financing for development discussions in full swing, and with the adoption of a new UNDP Strategic Plan for the period 2014-2017 – we felt that we should step up our effort again, in devising our own Strategic Framework, for the same period and in full sync with UNDP’s Strategic Plan, and share it in all transparency with our partners. With the adoption of UNDP’s Strategic Plan in September 2013 – a plan of which UNCDF has chosen once more to be an integral part – the work on UNCDF’s Strategic Framework stretched over the last three months of 2013. An initial internal participatory exercise, implicating colleagues from headquarters and the regional offices, was followed by a thorough coordination with UNDP. As I have already pointed out earlier, as soon as a first draft was ready to be shared beyond the agency, we did so during the Stakeholders Consultations in November. These consultations were convened as an informal meeting of the Executive Board. I would like to thank Vice-President of the Board Boyan Belev from Bulgaria, and the Board Secretariat for their invaluable support in that regard. I would also like to thank Board member representatives and partners for their substance input for the final version of the Strategic Framework that is in front of you today.
On substance, the document opens with acknowledging the international environment in which development actors will work in the four years to come. In that regard, UNCDF – taking full account of the guidance from the QCPR – is squarely committed to contributing to the implementation of the MDGs and the adoption of an effective post-2015 development framework with the adequate means of implementation. On this background, and true to its mandate, UNCDF will focus its work first and foremost on the LDCs. Our overall approach is in line with the Istanbul Programme of Action, with a view to enabling half of the LDCs to meet the criteria for graduation by 2020. Beyond graduation, as needed, UNCDF also stands ready to help assure that the development gains achieved will be sustainable in the long term. This approach is in line with UNCDF’s strategic partnership with UNDP and the complementarity of the two organizations, aiming at greater coherence, effectiveness and increased resource flows. From the lessons learned over the past planning period, we retain the recommendations to improve where weaknesses have been perceived and we will stay true to the conclusion of an external assessment conducted by Sweden that underlined that “UNCDF should be seen as a development actor that paves the way for others”.

Over the period 2014-2017 we will be guided in the identification and the design of our interventions by an overarching vision of a world without poverty, less inequality and sustainable, inclusive growth.

In terms of a mission statement and in order to contribute effectively to making this vision come true, UNCDF will realize the full potential of its capital mandate and its flexible financial instruments. Implementation of our activities will remain firmly rooted in the expertise and experience that UNCDF has built over the years in the two programme areas of Inclusive Finance and Local Development Finance.

In the years to come UNCDF will contribute to three major development objectives:

1. Increase financing for basic services and sustainable, inclusive growth.
2. Establish financing mechanisms to increase resilience to economic and environmental shocks.

3. Foster policy environments conducive to sustainable financing for sustainable development.

The Strategic Framework 2014-2017 describes in detail how these objectives will be served through interventions in our two programme areas, at the national and at the global level.

Innovation is to be expected on two fronts and in support of the programme areas: first, through a more deliberate use of our flexible capital mandate and adapted financial instruments; second in applying information and telecommunication technologies (ICT) — the infrastructure of the 21st century — as effective enablers and accelerators of development.

To live UNCDF’s financial mandate to its full extent is the declared intention in our Strategic Framework. Ongoing efforts to generate new, additional streams of financing for development into the LDCs by setting up an investment fund are an important aspect of this approach. Allow me to briefly describe the underlying rationale of these efforts.

I believe that we would all agree that sustainable (economic, social, environmental) development needs sustainable (adapted, steady, reliable) financing for development, and that the post-2015 development agenda needs effective financing for development solutions. History is telling us that it was most often combined public and private sector financing that has fuelled the development in developed countries. It is fueling the development in emerging markets and it holds the promise to trigger inclusive growth and sustainable development in LDCs as well. Confronted with seemingly endless financing needs in the LDCs, we tend to overlook the investment opportunities in development activities that come with these needs.
In that regard, it is encouraging to observe that while traditional sources of financing for development, including ODA, are stagnating or decreasing, new sources of financing for investment in development become available in the private sector, most notably in the impact investing industry. Impact investors often share with UNCDF the double concern for economic viable projects with reasonable financial return and well-documented social and/or environmental impact. They are looking for investment opportunities with a double or a triple bottom-line. Public and private sector project promoters in developing countries, on their side, suffer from the discontinuity of financial solutions adapted to the different phases of their projects' lifecycle. UNCDF is well positioned to act as an intermediary. In order to do so and to generate increased access to private sector financing for development requires from us to learn the useful lessons from the private sector practice. Given our financial mandate, we should be able to think and plan in terms of asset classes, financial instruments and financial structures that private sector investors are used to and are comfortable to work with.

In the spirit of a public private partnership, UNCDF can use its investment capital as pre-investment and seed capital in investable projects. As a matter of fact, an investment fund can provide to the institutional and private sector investor the comfort of a well-known, proven and regulated financial structure allowing them to mitigate the risk of their investments. At the same time an investment fund provides to the investee, in an LDC, the speed and flexibility of a commercially run delivery mechanism, which is still respectful of the objectives of sustainable development and channels additional financing for productive capacity into the economies of their countries.

Fully aware of the legal, financial and administrative complexity to set up an investment fund, UNCDF decided during the summer of 2013 to convene a Task Force, allowing the agency to benefit from the pro bono advice, guidance and constructive criticism of highly skilled professional experts with different backgrounds. During the working session of the Task Force, the pertinence of an investment fund for the purpose of new flows of financing for development has been confirmed repeatedly. On the basis of UNCDF’s financial mandate, we will continue to explore the possibility of setting up an investment
fund, in partnership with a fund manager, to channel new, adapted, steady and reliable institutional and private sector financing for sustainable development to LDCs.

With the clear understanding that the ambitions expressed in UNCDF’s Strategic Framework 2014-2017 can only be realized in close cooperation and coordination with others, a special chapter of the Strategic Framework is describing in detail the development partnerships with UNDP, the UN system in general, national and international financial institutions, regional institutions, including in a reinforced spirit of South-South and Triangular cooperation.

The implementation of our Strategic Framework calls for inspired leadership, professional management and rigorous programming. In terms of institutional effectiveness, the Strategic Framework is also setting higher standards in accountability for results, improved organization of both financial and human resources and effective internal and external communication. We stand ready to be measured against our vision, our mission, our development objectives and these quality standards. In order to remain true to our commitments, the Strategic Framework will be reviewed on a continuous basis to ensure appropriate adjustments when needed. A mid-term review and a final external review will be planned so as to coincide with those of the UNDP Strategic Plan.

Mr. President,

In concluding, let me thank you and the members of the Executive Board for providing me the opportunity to present to you the direction in which UNCDF will be heading during the four years to come. Strongly committed to the overall goal to eradicate poverty, we will do so in building on the achievements and lessons from the past and through innovative initiatives warranted by our mandate, in order to keep up with the requirements of an ever faster changing world.

Check against delivery
Last but not least, I would also like to take this opportunity to send my heartfelt thanks to the staff of UNCDF, at headquarters and in the field. Without their professionalism and dedication we would not have been able to devise such an ambitious Strategic Framework and we will not be able to translate our objectives into reality.

I thank you for your kind attention.