Building Cross-Sector Partnerships to Amplify Impact: UNCDF

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In The Gambia, UNCDF’s two practice areas and the International Trade Center (ITC) are addressing several development challenges: climate change adaptation and mitigation, low levels of financial inclusion, and the lack of job opportunities for youth and women. With a push from the UN and its partners to create synergies for greater impact, UNCDF faced an interesting conundrum: could a joint intervention be designed such that different challenges are tackled in a mutually reinforcing, more effective, and sustainable way? This case study illustrates how UNCDF established partnerships so that improved access to financial services helps turn temporary jobs created by climate-resilient investments into long-term opportunities for entrepreneurs in The Gambia.

Connecting the dots: Climate resilience, financial inclusion, and jobs

The agriculture and tourism sectors employ the most people in The Gambia. Although both sectors are highly vulnerable to climate change, local authorities lack the funds to make their communities more resilient to changing conditions. To address this challenge, UNCDF’s Local Development Finance (LDF) Practice Area introduced, in 2018, a facility to support local authorities to integrate climate change adaptation into current activities as well as to finance climate-resilient investments such as irrigation systems, mangrove conservation, and the construction of climate resilient water wells.

Meanwhile, UNCDF’s Financial Inclusion Practice Area (FIPA) is tackling a different challenge: only about 10 percent of the adult population in The Gambia have access to formal financial services. Currently, financial institutions do not offer services that are adapted to client needs, people lack understanding and trust in financial institutions, and financial services are not easily accessible, especially in rural areas. FIPA seeks to make the financial services market more inclusive. The FIPA team works to strengthen the capacity of financial services providers (FSPs) to offer affordable, appropriate, and responsible financial services to a large number of currently excluded populations (e.g., youth, women, and small businesses). It further addresses policy- and market-level barriers that hinder financial inclusion.
In parallel, ITC seeks to improve the employability of young people and help entrepreneurs seize opportunities, notably in agriculture and tourism. The ITC team works with technical and vocational skills programs to strengthen their offerings to better match the needs of businesses and to address the skills gap. They also promote entrepreneurship among youth through business skills training and support programs.

While these are three very distinct challenges—climate resilience, financial inclusion, and skills building—the target populations are the same: youth, women, and local micro, small, and medium-sized enterprises (MSMEs). Could better access to financial services help turn the temporary job opportunities created by the climate-resilient investments into longer term economic activities?

**Partnering to tackle multiple challenges**

The two UNCDF teams and ITC joined forces to take this challenge on. While making such links is not obvious when there are very different objectives and approaches to development, two key factors converged to make this partnership come about. First, “Delivering as One” is core to UN reform, and UN agencies are strongly encouraged to coordinate on their comparative advantage (e.g., through agency-wide thematic networks). In addition, UNCDF’s partners (in this case the European Union, which is funding UNCDF’s activities in The Gambia) are increasingly pushing for a more holistic approach to development in line with the 2030 Agenda for Sustainable Development, which intentionally aims to break down silos between sectors.

In this context, UNCDF and ITC came up with a break-through idea: implement climate-resilient local investments using a “cash-for-work” model by which temporary wages are used as an entry point to financial inclusion while simultaneously building the long-term skills of beneficiaries. Demand-side research on the financial needs of youth, women, and MSMEs was critical for the design of the program. The data clearly showcased the diverse needs of these segments; helped articulate how financial inclusion, skills, and climate resilience could be connected; and demonstrated the value of building inclusive markets.
Concretely, the hypothesis is that with some early savings of the wages, access to an account, and improved technical and financial skills, candidate entrepreneurs are better placed to turn a temporary job into a sustainable economic activity. Building on their experience working on climate-resilient investments, entrepreneurs can offer their services (e.g., solar panel installation) to other communities, which in turn will help them to address and/or adapt to climate change.

As a result, UNCDF’s Jobs, Skills, and Finance (JSF) Program was designed so that climate-resilient investments specifically contract small businesses, youth, and women to undertake the work. In turn, these temporary workers are linked with FSPs to open an account where they receive their payments. In parallel, they receive training to gain the necessary technical capacity to implement the investments and the skills to potentially turn the investments into an economic activity.

Lessons learned

UNCDF’s JSF program was launched in June 2018, and first investments were to be made in July 2019. While there is not much to say yet about the results of the program, lessons learned can be drawn on how the partnership between the two UNCDF practice areas and ITC came about.

Defining common goals is not sufficient—deep financial-sector expertise is needed to trigger sustainable change. While the EU and ITC understood why access to finance is important for entrepreneurs involved in climate-resilient investments, there was a possibility that the financial inclusion component of the program would consist of grants, credit lines, or guarantee funds to finance entrepreneurs, which may create market distortions and do not lead to sustainable change (see IFC’s SME Finance Policy Guide and UNDP’s Financing Solutions for Sustainable Development).

UNCDF’s technical expertise and its systemic approach to financial inclusion were essential to make sure that the JSF program focuses on the appropriate issues to achieve sustainable change. To find a sustainable solution to provide payments to workers, UNCDF conducted research to understand why FSPs were not serving this target group and works on changing their incentives and capacity to do so. It required understanding the business model of the financial institutions, the competitive environment, client financial needs, the regulatory framework, and all the other factors that determine how the financial services market works. In the program, UNCDF takes a systemic approach to address the barriers that were identified, which also means working at the policy level and strengthening the market infrastructure.

Management must set incentives to collaborate. In line with the UN reform, UNCDF’s management team is strongly encouraging collaboration between its practice areas and cooperation with other UN agencies. UNCDF’s strategic framework for 2018–2021 states: “UNCDF will work with other United Nations entities to introduce more integrated approaches to making finance work for inclusion.” Senior management highly encouraged collaboration, for example, at the annual team retreat.
Use networks to encourage collaboration on cross-cutting priorities. UNCDF has actively participated in agency-wide networks that encourage collaboration and foster peer exchange. The UN Inter-Agency Network on Youth Development is a network consisting of UN entities whose work is relevant to youth. The Decent Jobs for Youth Alliance is a worldwide multistakeholder alliance committed to creating quality jobs for young people. These two groups helped the UNCDF teams explore synergies with other UN agencies, learn more about their work in youth employment, and build on their lessons learned.

Use concrete opportunities to forge partnerships. The process from the initial idea to an actual program was very long. UNCDF’s Financial Inclusion Team first built confidence and awareness about financial inclusion by participating in the networks described above. However, it wasn’t until a concrete opportunity of joint resource mobilization came up that the partnership between the two UNCDF practice areas and ITC really became concrete and resulted in a joint program.

FURTHER RESOURCES
Decent Jobs for Youth Partnership
UN Inter-Agency Network on Youth Development
Youth Financial Services in The Gambia (UNCDF 2018)
YouthStart Evaluation
LoCAL Climate Adaptive Living Facility
UNCDF Strategic Framework
SME Finance Policy Guide
Financing Solutions for Sustainable Development