



NATIONAL BANK OF THE REPUBLIC OF BELARUS

GOVERNMENT OF THE REPUBLIC OF BELARUS

UNITED NATIONS DEVELOPMENT PROGRAMME

## **Support to Microfinance Development in Belarus**

The project seeks to expand access to finance and credit for the general public and business, particularly in remote and rural areas. Expected outputs include:

- A Concept of Microfinance Development in the Republic of Belarus developed to create a sound basis for sustained growth of the national microfinance sector;
- A more enabling legal framework in place, conducive to the growth of microfinance institutions, including of non-governmental non-profit organisations;
- A group of national experts from banking and non-banking sectors trained in various aspects of microfinance;
- Increased awareness of microfinance on the part of financial institutions, entrepreneurial associations, business support centres and the general public.

The Project was designed to be in conformance with the State Socio-economic Development Programme of the Republic of Belarus for 2006 – 2010.

## SIGNATURE PAGE

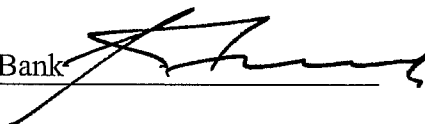
**Country:** Republic of Belarus


**Country Programme Outcome:** Increased alternative economic opportunities for sustainable development of small towns and rural areas

**Implementing agency:** National Bank of the Republic of Belarus

<p><b>Country Programme Period:</b> 2006-2010  <b>Country Programme Component:</b>  <b>Project Title:</b> Support to Microfinance Development in Belarus   <b>UNDP Project ID:</b> 00059638  <b>Duration:</b> 2 years  <b>Modality:</b> national execution</p>	<p><b>Budget:</b> US\$ 275.000   <b>Allocated resources:</b>  UNDP US\$ 250.000  Belgazprombank US\$ 5.000  Priorbank US\$ 5.000  Belinvestbank US\$ 5.000  BPS-Bank US\$ 5.000  Bank-VTB (Belarus) US\$ 5.000</p>
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Approved by	Full name	Position	Signature
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Implementing agency:	P.P. Prokopovich	Chairman of the Board, National Bank	
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UNDP:	Levan Bouadze	UNDP Resident Representative a.i.	
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Министерство экономики Республики Беларусь  
 ОТДЕЛ ПО СОТРУДНИЧЕСТВУ С МЕЖДУНАРОДНЫМИ  
 ОРГАНИЗАЦИЯМИ И КООРДИНАЦИИ ТЕХНИЧЕСКОЙ ПОМОЩИ  
**ЗАРЕГИСТРИРОВАНО**  
 в базе данных программ и проектов  
 международной технической помощи  
 " 28 " *август* 2008 г.  
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*Срок реализации!*  
 01.02.2008 – 31.03.2010

## Section 1. Rationale

### Part I. Situation Analysis

The creation of favorable conditions for access of small and medium businesses to credit and financial resources, including further development of microfinance mechanisms, simplification of the procedure of obtaining credits, is highly relevant to well-being and popular living standards, as indicated in the State Socio-Economic Development Programme for 2006 – 2010<sup>1</sup>.

Microfinance, along with microcredits, includes financial services such as savings, payments, microleasing, microinsurance and money transfers, available to households with low income and micro/small businesses. A wider access for economically active population and small businesses to financial resources will facilitate employment and self-employment of the population, promote business initiatives in small towns and rural areas, reduce informal crediting and enhance business transparency.

#### International experience in microfinance

In all countries, microfinance development was initially financed with grants from international donors. The grants were extended to non-profit organisations for the provision of loans to the poor and micro-businesses. In the past 30 years, the approach to financial support of micro-enterprises has undergone important changes: donors have deviated from giving grants, they have facilitated the creation and strengthening of microcredit institutions, extended the range of services offered to low-income population. Today, microfinance is widely applied in the practice of foreign countries as an efficient tool for attaining superior priorities of a state policy in the area of supporting small businesses. It has also become an inalienable part of the financial and credit system of many countries. Microfinance is integrated into a national financial system and achieved development on three levels: *micro*, incorporating institutions (first of all, specialized commercial banks) which provide financial services directly to low-income clients; *meso*, known as a supporting infrastructure (quality auditors, rating agencies, professional networks, trade associations, credit rating agencies, transfer and payment systems, information technology, training and technical service providers). *Macrolevel* stipulates participation of a Central bank, ministries of economy, finance and other national government entities in forming legal basis for the sustainable microfinance sector growth.

At present, microfinance is a dynamic sector in the global finance market. The analysis of the microfinance sector of Eastern Europe and Central Asia<sup>2</sup> has shown that this market annually grows by 60 percent, having reached the index of 3 million borrowers and the credit portfolio of 4 billion USD by the end of 2004. According to the Consultative Group to Assist the Poor (CGAP), known as the world-wide resource centre on microfinance, around 500 million people worldwide are covered at present by microfinance organisations (MFO), which have devised special methods and technologies to work with micro businesses and low-income clients. In addition to being a vehicle for economic development, microfinance institutions are thus performing an important social mission, by improving basic education of the general public on matters of finance and economy, and acting as a source of knowledge and advice for residents of

<sup>1</sup> The State Socio-Economic Development Programme of the Republic of Belarus for 2006-2010. Minsk, Belarus, 2006, p. 57

<sup>2</sup> Y. Pytkovska, E. Bankovska "Development of Microfinance in Eastern Europe and Central Asia 2004". Microfinance Center for CEU and CIS (MFC)

remote areas on the fundamentals of starting up and running a business and accessing finance and credit.

Microfinance services are rendered by institutions of different forms of property and relating both to banking and non-banking sectors. Among them are commercial and microcredit banks, credit unions, savings and credit cooperatives, state and private funds for supporting small business, member-owned community organisations, non-profit non-governmental microfinance organisations (NNO-MFO), including other non-bank intermediaries like finance and insurance companies with potential to serve poor people.

The non-banking microfinance sector, in particular, NNO-MFOs and credit unions play a special role in the development of the microfinance market. They serve clients with limited access to the formal banking sector due to low income, geographic isolation, lack of collateral, etc. Owing to their specialisation and proximity to clients, such microfinance organisations greatly facilitate access to microcredits and other financial services, enhance the financial culture of the population and thus promote businesses in small towns and rural settlements.

According to the Microfinance Centre for Central and Eastern Europe and CIS<sup>3</sup>, credit unions are the most common microfinance organisations in the region (see Fig.1). They serve more than 1.4 million borrowers and hold almost 85% of the microfinance market. Average loan size is \$211 at credit unions, \$1501 at NNO-MFOs, \$ 7,741 at commercial banks, and \$123 at microfinance banks.

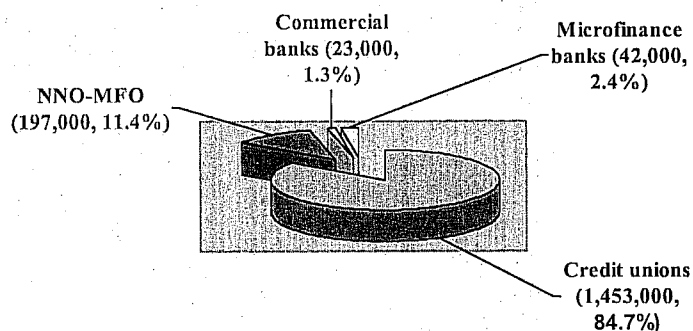


Fig.1- Structure of the Microfinance market in Central and Eastern Europe and the CIS (number of borrowers, market share)<sup>4</sup>

Despite the low share of the banking sector in the microfinance services market (see Fig.1), commercial banks have recently introduced innovative microfinance products for the public, including residents of small cities. In so doing, banks specialising in microcredits are more profitable than the traditional banks<sup>5</sup>.

### National Institutional Framework

Certain prerequisites for the development of microfinance have been created in the Republic of Belarus within the framework of joint projects of the Government and the UN

<sup>3</sup>Report on Microfinance - Microfinance Center for Central and Eastern Europe and CIS, 2003.

<sup>4</sup>Microfinance Center for Central and Eastern Europe and CIS, 2003.

<sup>5</sup> According to data of the World Resource Center for Microfinance

Development Programme<sup>6</sup>: the individual and peer group microlending models have been tested and introduced on the basis of the Belarusian Fund of Financial Support for Entrepreneurs; the legal framework for the credit unions and guarantee funds has been created; methods of microcredits disbursement for supporting local private initiatives in the area affected by Chernobyl accident have been tested in joint effort with “Belarusbank”. Microcredit programs offered by commercial banks were developed in 2001 mostly thanks to the credit line and technical assistance of the European Bank for Reconstruction and Development (EBRD).

At the same time, an analysis of the microfinance services market development in the Republic of Belarus<sup>7</sup> shows that, despite certain positive trends in recent years, microfinance is still at the initial stage of development and considerably lags behind other CIS countries. This conclusion is based on the following:

- Microlending is concentrated within the banking sector, which hampers the liberalisation of procedures for delivering credits to small businesses.
- The primary suppliers of MF services currently are several commercial banks working with the EBRD and the BFFSE, which do not have widely spread affiliate systems to disburse credits in small towns and rural areas.
- There are no non-commercial non-government microfinance organisations (NNO-MFI), which traditionally work with hardly-reached areas and in small communities. The non-commercial organisations which provide microfinance services are represented by a single state-run structure, i.e. Belarusian Fund of Financial Support of Entrepreneurs, which at present satisfies only 10% of demand for microcredits<sup>8</sup>.
- There are no guarantee funds which are aimed at solving the problem of collateral and facilitating access of would-be-entrepreneurs to credit resources, either at the regional or the national levels.
- Credit cooperation is not developed<sup>9</sup>. The legal conditions have only been created for societies of small business mutual crediting, whereas credit unions of citizens are well developed in the world.
- There are no specialised microfinance banks. The first such a bank is expected to be established by the EBRD and IFC in 2008.
- Leasing and insurance companies operate in Minsk and in regional centres and are not oriented towards services for micro-enterprises.
- There is no supportive infrastructure such as credit rating agencies, rating agencies, accounting or auditing services suitable for enhancing microfinance businesses.

Meanwhile, the demand for microcredits and other microfinance services is steadily growing. According to data from the European Bank for Reconstruction and Development, while 100 credits were delivered in 2001, 1820 credits have been disbursed for 7 months of 2006. A survey conducted of the business sector UNDP in 2005 has also demonstrated unmet demand for microfinance services<sup>10</sup>.

<sup>6</sup> “Shaping Infrastructure of Support and Development of Small Businesses in the Republic of Belarus” (1997-2001), “Support of Credit Unions in the Republic of Belarus” (1998-2000), “Promotion of Business Sector through Development of State and Private Sector” (2001-2004); thematic Project “Agriculture and Sustainable Economic Development” (TP CORE-Agri)”

<sup>7</sup> The analysis was carried out by the UN Development Program in 2005 within the framework of the Year of Microcredit and reflected in the report “Challenges and Futures of Microfinance in Belarus from an Economic and Legal Perspective”, UNDP, 2005

<sup>8</sup> According to Belarusian Fund of Financial Support of Entrepreneurs

<sup>9</sup> As of today, only 7 credit unions have been registered.

<sup>10</sup> The poll was conducted by UNDP experts in 2005, the number of respondents was 232, and among them 41% were individual entrepreneurs and 59% were managers of small businesses.

A public opinion poll conducted by the ONT channel in 2006 revealed poor awareness of the population on services offered by commercial banks. In the opinion of experts, this situation is explained by two factors: insufficient promotion by commercial banks of their retail banking services and poor financial culture of the majority of the country's population. To some extent the latter dampen demand for microfinance services and inhibit the emergence of new suppliers of microfinance services, at least in the short term.

A significant proportion of the population, particularly in the regions, have limited skills of managing personal finance (including savings, investments and risks), do not recognise the need for long-term financial planning, and are poorly informed about the existing banking services and conditions for microlending.

Finance education activities in Central and Eastern Europe<sup>11</sup> have had a positive effect on the financial stability of individual families, especially on low incomes, resulting in an enhanced capacity to manage short-term financial commitments and improved material well-being in the long term.

Financial education for population stands for:

- Awareness of the benefits derived from financial planning;
- Acquiring skills to manage saving, borrowing and investing;
- Combining economic education contents with the promotion of entrepreneurial attitudes ;
- Informing the adult population and young people about the services of banks and other finance and credit institutions.

Based on the above, some of the main constraints to microfinance development include:

- Lack of a comprehensive approach or consistent policies on microlending and microfinance to address the existing barriers to provision of microfinance services and products for micro-enterprises and low-income populations.
- The potential contribution of microlending to socio-economic development, job creation and the growth of private enterprise in small cities remains undervalued, as does the positive effect of microfinance on the amount of informal lending and the transparency of private enterprise.
- Uncertainty over the role and contribution of microlending to the national finance system. Owing to lack of expertise, this issue has not been subject to a professional debate among lawmakers, small businesses and NGOs
- Limited availability or lack of specialised knowledge on microfinance among providers of financial/credit services seriously constrain the ability of retail financial institutions to expand their services to poor clients.
- The lack of a legal basis for non-public, not-for-profit organisations capable of providing microlending services and products to low-income populations, particularly in remote areas, small cities, and rural communities.
- Insufficient financial culture of the population and the SME sector.

Therefore, it appears feasible to consolidate the efforts of the UNDP, the National Bank of the Republic of Belarus, Ministry of Economy, Ministry of Finance, Ministry of Labour and Social Welfare, the association of commercial banks and international organisations within the framework of a single project seeking to:

- Implement a broad-based debate on the role and capabilities of microlending, the priorities for microfinance development and the legal arrangements enabling the

<sup>11</sup> Mihal Matul, Pawliak Katarzina. Towards financial better future. Financial education to the low-income population in Poland. Microfinance Center for Central and Eastern Europe and CIS. Репортаж #15. Стратегия 2005.

organisation and growth of the national microfinance sector with a variety of microfinance institutions;

- Building the capacities of the National Bank and commercial bank employees, and of the non-banking sector to implement modern microfinance technologies; to develop a relevant training module for the training centre of the National Bank.
- To promote microfinance among finance and credit institutions, enterprise associations and business support centres;
- Improve the financial culture of the general population.

### **Beneficiaries**

- National Bank of the Republic of Belarus;
- Commercial banks;
- Belarusian Fund of Financial Support for Entrepreneurs
- Association of Belarusian banks;
- Business Associations and Small Business Support Centres
- Low-income population, business start-ups and women, who have traditionally formed the majority of microfinance clients.

### **Rationale of UNDP Participation in the Project**

The Project activity will be aimed at achieving the Millennium Goals in the area of overcoming poverty and development of small and businesses in conformance with the UNDP Country Programme Document for the Republic of Belarus for 2006-2010. It fits within Thematic Area 1 «Promoting economic growth and popular living standards», which calls for projects aiming to «... (c) manage the social costs of reform in industry and agriculture, including unemployment prevention in small cities» «... (e) promote small and medium-sized enterprise, through removing administrative barriers, developing business support institutions and financial mechanisms including microfinance, increasing employability and entrepreneurship of vulnerable groups of population, including women and youth».

The need for a larger microfinance market and improved access to microfinance services are fully consistent with the recommendations of the Impact Assessment Mission of UNDP activity on SME support from 1997 to 2004. The main thrust of these recommendations is that microfinance development should be made a priority for UNDP in 2006 - 2010.

This project will be implemented in close coordination with other projects aimed at removing administrative barriers to business, private sector contribution to socio-economic development, economic rehabilitation of Chernobyl effected regions, local economic development and strengthening potential of business support organisations in rural areas.

The project provides private financial organisations with an opportunity to achieve UN development goals in line with the Corporate Social Responsibility through social investments in popular financial education and raising public awareness on MF services in regions and rural areas. This kind of intervention could be regarded as partly philanthropic with a particular commercial interest of banks to gain access to a wider client base and build brand equity among a customer segment which is clearly under-served by current financial institutions. Private sector partners can also support and collaborate with UNDP through co-funding the project activities related to piloting microfinance organisations.

## **Part II. Project Strategy**

The project's primary goal is to improve access of population and small business to finance and credit recourses by developing microfinance services and raising financial culture of population.

The project will promote the development of a commercially viable microfinance sector and its integration in the national credit and finance system. The project will support the efforts

to improve the business environment, reduce administrative barriers to enterprise activity and expand economic opportunity in small cities and rural areas.

Access of the general public to finance and credit will be conducive to meeting national and regional targets on enterprise development and material well-being.

**Main project objectives are as follows:**

- To develop a Microfinance Development Concept and propose specialised legislation on microfinance;
- To improve capacity of the banking and non-banking sectors in microfinance;
- To improve public awareness of microfinance and financial literacy levels.

The project is fully consistent with the State Socio-economic Development Programme of the Republic of Belarus for 2006-2010 and the Concept of State Support and Development of Small and Medium-sized Enterprises for 2006-2010.

**Objective 1. To develop a Microfinance Development Concept and propose specialised legislation on microfinance**

A Council for Microfinance Development will be established within the project. The Council will coordinate and consolidate the efforts of various national and international organisations on microfinance development in Belarus. The Council will incorporate professionals from the National Bank, Ministry of Finance, Ministry of Economy, Ministry of Labour and Social Welfare, standing parliamentary committees, enterprise associations, UNDP and other international organisations.

The Council's operations will be facilitated by a *support/analytical team*, composed of several national experts and one international consultant on microfinance. The International consultant will provide overall guidance of research and advisory work on adapting international best practices to the local conditions. The support team will assist the Council in formulating a *Concept of Microfinance Development for the Republic of Belarus*. To this end, the Team will conduct a study of the microfinance sector in Belarus, including an overview of the institutions, services, products, demand, supply and barriers, and an analysis of the main barriers and constraints. It will also identify the applicable international practices and formulate the principles, approaches and policies on microfinance development in Belarus. As a step towards the adaptation of relevant international practices, an international conference will be organised, focusing on the role of the state in the development of microfinance.

The Concept of Microfinance Development will present a comprehensive and consistent vision of the future of microfinance in Belarus, lay the ground for the development of an adequate legal framework to guide the work of various microfinance organisations, propose a mechanism to coordinate the efforts towards establishing a functioning microfinance system undertaken by various stakeholders, including the government, National Bank, the banking system, enterprise support organisations, finance and credit institutions and other interested parties.

The Concept will provide a baseline assessment of the microfinance sector in Belarus, define the goals, objectives and expected outcomes, and define the arrangements for evaluation and monitoring. The Concept will examine microfinance development at the macro, meso, and micro levels and contain recommendations addressing the following issue areas:

- Improvement of the legal and regulatory environment for microfinance organisations concerning all aspects of their work, such as registration, financing, taxation, oversight, and operational management;
- The list of essential legislation to be developed and amendments to existing laws and regulations needed to be made with regard to microfinance;



- Development of microfinance institutions (credit rating agencies, insurance and leasing companies, training centres etc.); coordination among the banking and non-banking sectors of the microfinance market;

- Government support for microfinance institutions serving low-income customers, micro-enterprises, small farmers and other economic agents, particularly in small cities and rural areas.

The Council on Microfinance Development approves the terms of reference for the research team, deliberates on the findings of the team's work, assumes responsibility for the preparation and sponsorship of the Microfinance Development Concept, advises government agencies and international organisations and donors on incorporating microfinance development into state programmes and joint action plans. The main indicator of success will be the Concept Draft and the reaction to the draft from the national Bank and Government of Belarus. In order to speed up work on the documents drafted by the Advisory Council, a working body at the National Bank and Government level - such as an inter-ministerial committee - could be set up with duties to ensure timely consideration and follow up on the proposals to develop microfinance in the country.

In addition to drafting a Microfinance Development Concept, the project will also work on improving the legal framework for microfinance organisations. It will support the drafting of regulations on establishing and operating microfinance organisations of various types, including private non-banking microfinance organisations. As suggested by international experience, such regulations could help bring foreign investments in the microfinance sector, thereby contributing to the growth of microfinance in small cities and in rural areas.

**Expected outputs:**

1. Council on Microfinance Development;
2. Microfinance Development Concept in the Republic of Belarus;
3. Draft regulations on microfinance organisations;
4. International conference on microfinance.

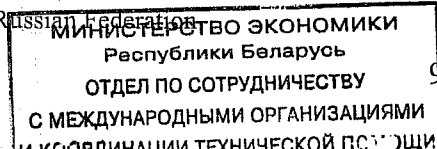
**Objective 2. To improve capacity of the banking and non-banking sectors in microfinance**

Banks, non-banking organisations and other interested parties will benefit from training workshops involving experts from microfinance training centres in Russia and other European states.<sup>12</sup> A list of microfinance-related courses offered by various education and training centres over the world was collected and short-listed by the potential project stakeholders at the pre-project stage. The participants will get acquainted with the international experience of microfinance programs (specific features, approaches, tendencies), modern products and services, methods of microloan prompt analyses, risk assessment and management (including introduction of track performance indicators, quarter reporting to the MIX Market, social performance monitoring in the performance measurement system, including exposure to client assessment indicators, client scoring and the social focus of microfinance organisations), streamline procedures and learning to reduce costs for poor clients.

In addition, a cadre of instructors and trainers will be prepared, who will take over the conduct of training workshops and the provision of advice on different aspects of microlending. Regional instructors/trainers will be the point of first contact for small business for advice on microlending. They will also act as a link between the Training Centre and the steering groups on microfinance development in the regions.

Jointly with the Training Centre and trainers on microfinance, project consultants will develop training programmes and course materials (teacher and student kits, multimedia presentations, etc.) on various aspects of microfinance, and put together instructional packages

<sup>12</sup> Microfinance Centre for Central and Eastern Europe and the CIS, Institute of Finance and Administration of the National Association of Polish Credit Unions, Microfinance Centre of the



on creating and managing non-banking microfinance institutions. A specialised library will be created at the Training Centre.

**Expected outputs:**

1. Workshops for finance and credit professionals on modern microfinancing techniques, conducted by trainers and consultants from Russia and other European states;
2. An instructor and student guide on microfinance developed, tested and utilised at the National Bank Training Centre;
3. National instructors prepared to provide training and advice on various aspects of microfinance;
4. A library on microfinance;
5. Wider spectrum of microfinance services and products provided by the project participant commercial banks to population and small business.

**Objective 3. To enhance financial culture of the population and to promote microfinance.**

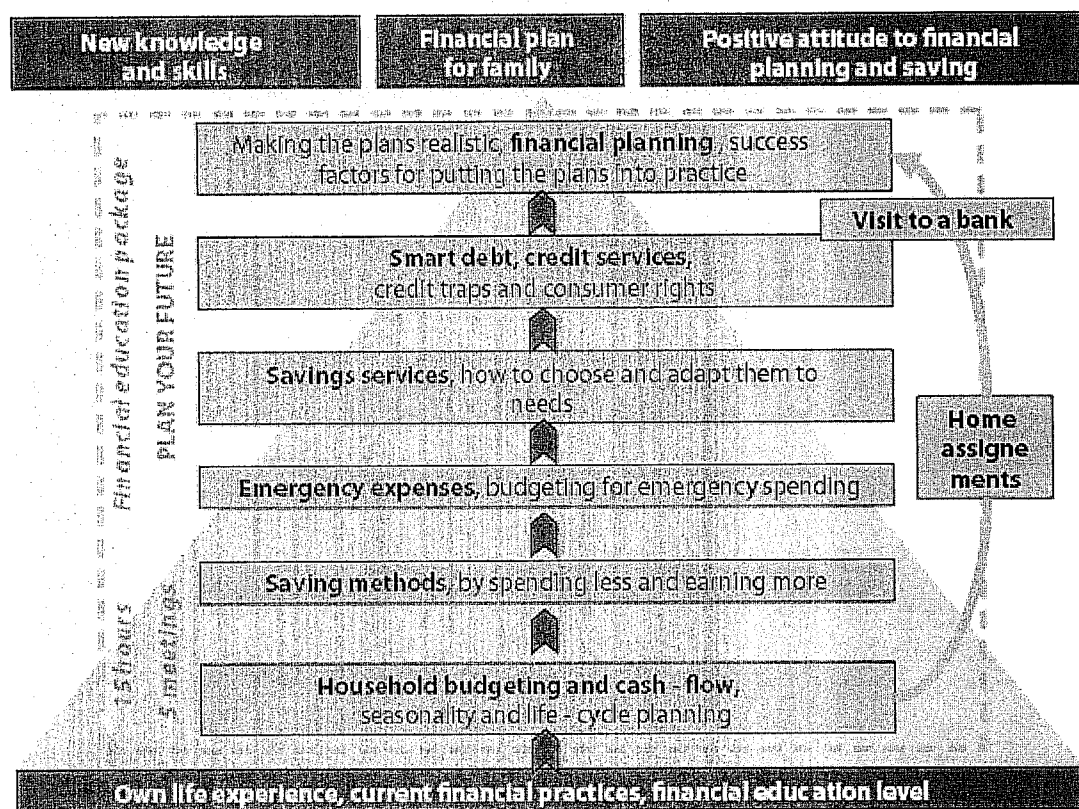
To support this objective, the project will organise the adaptation and teaching of a course titled «Planning your future», developed by the Microfinance Centre for Central and Eastern Europe and the CIS (MFC). This course, tested in Poland and the Russian Federation, is supported by a collection of training materials in five issue areas: 1) long-term financial planning in the household; 2) systematic savings, 3) sensible borrowing and prevention of financial crises, 4) finance organisations and services, 5) negotiating loans from a finance organisation.

At the initial stage in achieving the project objective, the international consultants from the MFC will select fifteen potential local trainers for the course “Planning your future”. Candidates will be drawn from:

- The National Bank Training Centre
- Regional enterprise support centres and small business incubators
- Local governments, employment services, social protection agencies;
- Financial organisations (banks, enterprise financial support centres, credit unions, insurance and leasing companies);
- Enterprise associations;
- Higher and secondary education institutions.

Selected candidates will attend a five-day training workshop. Upon completion of the workshop, they will be qualified to teach financial management skills to low-income individuals (up to 20 participants to a group). The structure of the course is presented in the diagram below.<sup>13</sup>

<sup>13</sup> Mihal Matul, Pawliak Katarzina. Towards financial better future. Financial education to the low-income population in Poland. Microfinance Center for Central and Eastern Europe and CIS. Vol. 1, No. 1, October 2005.



At the end of the training, participants will be able to make independent financial plans for their families, improve their ability to make choices among different financial services and enhance their saving and financial planning skills.

A series of workshops “Plan Your Future” will be held in the regions as well as in small towns and rural settings. Building on the training course, a manual on “Popular Finance” will be prepared, published, put on a web-site and disseminated in the CD format.

Improved financial culture of the population is expected to strengthen financial stability of the low-income populations, promote entrepreneurial activity and self-employment, and raise consumer interest in financial services.

#### **Expected outputs:**

1. Adaptation of the popular finance course “Plan Your Future”;
2. Fifteen local instructors qualified to teach the course “Plan Your Future”;
3. At least 15 seven-day personal finance workshops attended by at least 300 persons in all administrative regions of Belarus;

The activity of the Project and microfinance organisations will be regularly covered by Belarusian mass media and on the Internet site of the UN/UNDP Office in the Republic of Belarus. Booklets on the Project activity will be prepared, regular press-conferences will be held.

#### **Follow-up and exit strategy**

1. The Microfinance Development Concept elaborated within the project will guide the comprehensive and dynamic development of microfinance and help create a legal framework for microfinance organisations.
2. The project will contribute to the growth of the national microfinance sector by training national consultants from the National Bank, commercial banks and non-banking

institutions in modern microfinance methods and approaches. These individuals will be in a position to contribute to the improvement of the legal environment for microlending and the growth of microfinance institutions. Upon completion of the project, the National Bank Training Centre will continue to serve bank and non-bank microfinance institutions by building on the experience and the core of national experts created within the project. Trained regional instructors on microfinance will expand the range of services and advice available to SMEs and the public, strengthen the capacities of enterprise support centres, deepen linkages with finance and credit institutions and improve the choice of finance and credit products available to the public. Improved local capacities will ensure uninterrupted access of the stakeholders and public to information and advice relevant to microlending after the project's completion.

3. The regulations in microfinance organisations will create the legal framework for the growth of new types of microfinance institutions, create incentives for investments in the microfinance sector, and improve conditions for private entrepreneurship in the regions and in rural areas.
4. Popular finance education will enhance the financial culture of the general population; improve people's skills in family budget management and planning. This will create new openings for improving popular living standards, promote an interest in finance and credit products and, when accompanied by increased entrepreneurial activity, will promote self-employment and job creation. Participation in the training of employees from finance and credit institutions will be an opportunity to determine consumer needs and offer finance and credit products most consistent with those needs.
5. The project will have a positive effect on the development of private enterprise in the regions by contributing to job creation and self employment in small cities, ecotourism development in recreation areas, and socio-economic rehabilitation of the communities affected by the Chernobyl nuclear accident.

### **Part III. Management Arrangements**

The project national executing agency is the National Bank of the Republic of Belarus, the state agency which is responsible for the development and functioning of banking and non-banking financial and credit institutions.

The Project will be implemented in close cooperation with the Ministry of Economy as well as in close coordination with the Ministry of Finance and other government agencies, Oblast executive committees, commercial banks, and the Association of banks, existing microfinance institutions, European Bank for Reconstruction and Development, International Financial Corporation, business associations and unions.

The Project will be implemented in coordination with other UNDP projects aimed at fighting poverty, local sustainable economic development, support of small and medium businesses, and other international initiatives in the above areas.

A Council for Microfinance/Project Advisory Council established within the project, will oversee the drafting of the Microfinance Development Concept, will provide coordination among the project's implementing partners and stakeholders. It will provide a venue for joint discussion and decision making on matters of strategic importance and ensure adequate project monitoring. The project Advisory Council rules of procedure are presented in Appendix 3.

This Project is aimed at consolidation of efforts, material contributions and mutually complementing resources of the UNDP, National Bank and Commercial banks in solving the

problems of developing the private sector of Belarusian economy through the development of the microfinance sector.

The project will be carried out in the national execution modality with the administrative support of UNDP.

The Project will be nationally executed in line with the provisions and recommendations of UN General Assembly Resolution 47/199 aimed at enhancing de-centralisation in the area of compiling and implementing activities financed from the UNDP budget. Additionally to the said resolution, the UNDP Administrator, in his letter of December 17, 1993, authorises the UN/UNDP Resident Representatives to render, upon the request of governments, direct organisational, administrative and other technical assistance to national organisations which implement the Project activities. The UNDP Instruction UNDP/ADM/93/46 stipulates that the UN/UNDP Resident Representative is entitled to purchase equipment, conclude contracts with local consultants, experts and technical personnel, bear other expenses included into the Project budget, as well as keep and maintain accounting on the activities implemented on the national scale similar to the procedure of managing the Administrative Budget of the UN/UNDP Office.

**The National Bank** is responsible for the Project implementation and should

- Appoint the Project National Coordinator and vests him/her with the necessary authority for implementing the Project activities;
- Chair the Project Advisory Council ;
- Allocate premises for the Project activities;
- Allocate training premises for holding seminars;
- Take part in preparation and submission of draft legislation and training materials, as well as in promotion of the Project achievements;
- Assist the Project personnel in efficient implementation of the Project activities.

**UNDP** provides:

- Financing in the amount of US\$250,000;
- Rendering of organisational and technical assistance in the Project implementation (Appendix 1);
- Involvement of international experts;
- Project coordination and integration with other current UNDP Projects;
- Promotion of the Project and its outcomes on the international level.

**Commercial bank Belgazprombank** provides:

- Financing in the amount of US\$5,000.

**Commercial bank Priorbank** provides:

- Financing in the amount of US\$5,000.

**Commercial bank Belinvestbank** provides:

- Financing in the amount of US\$5,000.

**Commercial bank BPS-Bank** provides:

- Financing in the amount of US\$5,000.

**Commercial bank Bank-VTB (Belarus)** provides:

- Financing in the amount of US\$5,000.

## Other Stakeholders

The Project will be implemented in cooperation with the European Bank for Reconstruction and Development and the International Financial Corporation, whose representatives will be included into the Project Advisory Council. EBRD experts will share their experience in implementing the programs of banking microcrediting in the course of special seminars (including regional ones) for employees of microfinance organisations.

Microfinance Centre for Central and Eastern Europe and CIS (Warsaw) will provide the required training materials for training employees of microfinance organisations and preparing trainers on microfinance and popular finance education.

Association of Belarusian Banks is willing to take part in implementing activity related to enhancing financial culture and will facilitate the involvement of banks in financing this component.

### Project personnel

**The Project organisational structure includes** the position of a Project Manager.

The terms of reference of the Project Manager is given in Appendix 2.

## Part IV. Monitoring and Evaluation

The project will be subject to continuous monitoring, periodic evaluations and reporting in accordance with UNDP rules and procedures. The project manager prepares and submits to UNDP, donor organisations annual and semi-annual in a format and within the time frames agreed with UNDP. The Project Manager also provides data on the progress of the project required under the laws and regulations of the Republic of Belarus.

The National Project Co-ordinator and Project Manager are responsible to UNDP and government of Belarus for proper expenditure of project funds and present the structure of such expenditures in the budget revision in accordance with the rules stated in the section "Management of funds and reporting" of the UNDP manual for nationally executed projects.

## Part V. Legal Context

This document is the legal basis for implementing a set of project activities, as stipulated by the Standard Basic Agreement between the government of Belarus and UNDP, signed by both parties on 24 September 1992.

The following amendments and additions to this project document can be made at the consent of all signatories to the said document:

- Amendments and additions that do not substantively alter the stated immediate objectives and expected outputs but are caused a rearrangement of agreed contributions within the original project budget.
- Revisions to target outputs based on a project evaluation that result in a reasonable increase in the project budget.

## Section II. Results and Resources Framework

**Intended Outcome as stated in the Country Programme Document for the Republic of Belarus for 2006-2010:**  
Increased alternative economic opportunities for sustainable development of small towns and rural areas

**Indicators and baselines in accordance with the Country Program Document for the Republic of Belarus for 2006-2010:**

Indicators: new services and support institutions created for socially vulnerable population groups, expanding their opportunities for employment and participation in business activity

**Baseline:** 1.5 Private sector development

**Partnership strategy:** The Project is to be implemented by the National Bank of the Republic of Belarus in cooperation with the Ministry of Finance, Ministry of Economy, Ministry of Labour and Social Protection, and other government agencies, commercial banks, association of banks, existing microfinance institutions, European Bank for Reconstruction and Development, International Financial Corporation, business associations and unions

**Project ID and title:** 00059638 - Support to Microfinance Development in Belarus

Outputs	Indicators	Main activities	Terms	Budget (\$)
1	2	3	4	5
Output 1. A microfinance development concept and Regulations on microfinance organisations drafted and presented for feedback to the National Bank and Government of Belarus	<ul style="list-style-type: none"> <li>• Concept of Microfinance Development;</li> <li>• Regulation on creation and operation of the Microfinance Organisations;</li> <li>• International conference on microfinance.</li> </ul>	<p>1.1 Forming the Council for Microfinance Development</p> <p>1.2 Holding meetings of the Council for Microfinance Development to discuss problems and lines of development of microfinance sector in Belarus.</p> <p>1.3 Creating a working/analytical group to draft a Concept of Microfinance development and conducting study of the foreign expertise in developing microfinance sector (study tour for working group members)</p> <p>1.4 Monitoring microfinance sector development in the country (condition, products, demand, barriers) and preparing analytical materials</p> <p>1.5 Preparing a draft Microfinance Development Concept, with advice from an international consultant</p>	<p>2 quarterly</p> <p>3-5</p> <p>4-9</p> <p>06-12</p>	<p>--</p> <p>--</p> <p>16.000</p> <p>5.000</p> <p>20.000</p>

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		1.6 Preparing and discussing with the stakeholders the draft Regulation on creation and operation of the Microfinance Organisations	06-18	2.000
		1.7 Organising an international conference on microfinance experience in neighbouring countries	06-12	12.000
		1.8 Participating in international conferences and activities (including annual microfinance conferences for Europe and the CIS and high-level expert meetings)		15.000
<b>Total Output 1.</b>				<b>70.000</b>
<b>Output 2. Capacity built of the banking and non-banking sectors in the area of microfinance</b>	<ul style="list-style-type: none"> <li>• Training package on microfinance compiled at the Training Centre of the National bank;</li> <li>• Number of specialists of banking and non-banking sectors trained;</li> <li>• Number MF trainers prepared (at least 5);</li> <li>• Number of seminars (by topics) conducted</li> </ul>	2.1 Preparing training programs for training and advanced training of banking and non-banking employees rendering microfinance services	9-20	3.000
		2.2 Organising training for local specialists from the National Bank, state management agencies and commercial banks, non-banking organisations on modern technologies of microfinance, involving experts from microfinance training centres (Russia, Poland).	6-22	41.000
		2.3 Training local trainers at specialised courses, involving experts from international centres	7-12	40.000
		2.4 Preparing specialised courses (methodological support, presentation material) for specialists of banking and non-banking sectors.	6-22	5.000
		2.5. Creating a library on microfinance at the Training Centre.	3-24	2.000
<b>Total Output 2.</b>				<b>91.000</b>
<b>Output 3. Enhanced financial culture of the population</b>	<ul style="list-style-type: none"> <li>• Training course on personal finances support, (methodological presentation material) prepared;</li> <li>• Number of regional seminars for population at large conducted (at least 15);</li> <li>• Number of people trained in basics of personal</li> </ul>	3.1 Conducting a course «Planning your future» in collaboration with the Microfinance Centre for Central and Eastern Europe and the CIS (Warsaw): 1) adapting the international popular finance course «Planning your future», with assistance from the Microfinance Centre; 2) Training of local trainers; 3) Organising popular finance training sessions in the Republic of Belarus.	04-20	53.000
		3.2 Preparing and publishing a popular text-book on personal finances for the population at large.	15-18	5.000
		3.3 Publishing posters, booklets and other educational literature.	10-22	6.000



	<p>finances (at least 300);</p> <ul style="list-style-type: none"> <li>• A text-book on personal finances published;</li> <li>• Regional instructors trained (at least 15);</li> <li>• Number of posters and other educational publications (by topic, number of copies) published</li> </ul>			
<b>Total, Outcome 3</b>				<b>64.000</b>
<b>Outcome 4 Population at large informed on the Project activity</b>	<ul style="list-style-type: none"> <li>• At least 10 articles in mass media issued;</li> <li>• At least 4 press-conferences held;</li> <li>• Final conference on Project outcomes organised</li> </ul>	<p>4.1 Preparing and publishing a booklet on goals and tasks of the Project (in Russian and English)</p> <p>4.2 Preparing publications in mass media and scientific magazines on problems studied under the Project and the generated initiatives.</p> <p>4.3 Publishing materials on Project activity in Internet site of the UN/UNDP Office in the Republic of Belarus.</p> <p>4.4 Holding press-conferences on the Project progress.</p> <p>4.5 Organising a final conference on Project outcomes</p> <p>4.6 Preparing and publishing a booklet on Project Results.</p>	<p>3-6</p> <p>2-22</p> <p>2-22</p> <p>3, 14, 24</p> <p>24</p> <p>20</p>	<p>2.000</p> <p>--</p> <p>--</p> <p>--</p> <p>4.000</p> <p>2.000</p>
<b>Total Output 4</b>				<b>8.000</b>
<b>Administrative personnel 1 person</b>			1-24	24.000
<b>Office equipment and furniture</b>		1 computers, printer, scanner, copier, Equipment for holding seminars, furniture	1-24	6.000
<b>Office expenses</b>		Telephone communication, utilities, Internet, stationery, office consumables, etc.	1-24	5.000
<b>Incidental expenses, including translations</b>			1-24	7.000
<b>Project Total</b>				<b>275.000</b>

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### DESCRIPTION OF UNDP COUNTRY OFFICE SUPPORT SERVICES

Upon agreement with the Ministry of Economy of the Republic of Belarus the UNDP country office shall provide the following support services for the projects of technical aid:

<i>Support services</i>	<i>Schedule and procedure for the provision of the support services</i>	<i>Cost to UNDP of providing such support services (where appropriate)</i>	<i>Method of reimbursement of UNDP (where appropriate)</i>
1. General Administration: – travel arrangements;  – pouch incoming and outgoing.	upon request of the project manager  as required	According to UPL*  CO Pricelist	Quarterly Implementation Support Services (ISS) charges
2. Finance:  – processing of direct payment requests;  – certified financial reports	upon request of the project manager  annually	According to UPL  GMS charges in percentage of cost-sharing	Quarterly ISS charges  GMS fee
3. Computer related services: – Internet connectivity – IT consultancy.	as requested		In accordance with the methodology of calculating Internet cost, accepted by UNDP office
4. Procurement services	upon request of the project manager	According to UPL	Quarterly ISS charges
5. Programme support:  – assistance in personnel selection and issuance of contracts;  – assistance in project monitoring and evaluation.	upon request of the project manager  in line with the UNDP Office evaluation plan	According to UPL.  GMS charges in percentage of cost-sharing	Quarterly ISS charges  GMS fee
6. Service of the UNDP's Communication Officer to visualize the project outputs (conferences, briefings, publications and so on)	In accordance with the CO communications activities	1% of TRAC resources contributed to the project	

- \* UPL: UNDP Universal Price List for Country Office Services to UN Agencies and Programmes  
ISS: Implementation Support Services  
GMS: General Management Support charges in percentage to cost-sharing

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## TERMS OF REFERENCE

*PROJECT MANAGER*

**Terms of employment:** Full time for twelve months with possible extension

**Duty station:** Minsk, official travel within and outside Belarus as required

**Objective:**

The Project Manager is responsible for successful completion of all project activities and the delivery of agreed outputs. The incumbent performs his/her duties in coordination with UNDP, National Bank, and the Project Advisory Council. The Incumbent organises the work of the project personnel and consultants recruited for performance of specific jobs and services.

**Duties:**

- Supervise and coordinate the project to ensure its results are in accordance with the Project Document and UNDP programming procedures;
- Assume overall responsibility for meeting the financial delivery targets set out in the agreed annual work plans, reporting on project funds and related record keeping;
- Control expenditures and ensure an adequate management of the resources provided for the project;
- Identify national experts and institutions to work for the project (in close co-operation with the National Bank and UNDP);
- Prepare and agree with the National Project Coordinator ( from the National Bank) and UNDP terms of reference for national consultants and subcontractors;
- Guide the work of consultants and subcontractors and oversee compliance with the agreed work plan;
- Organise and supervise workshops and training needed during the project;
- Prepare necessary project progress reports, as required by the relevant UNDP and national procedures;
- Ensure adequate information flow, discussions and feedback among the various stakeholders of the project;
- Arrange negotiations on co-operation with the relevant government agencies, financial institutions, international organisations in order to identify and mobilise resources;
- Maintain regular contact with the National Project Coordinator and UNDP on project implementation issues of their respective competence;
- Ensure proper operational and financial completion of the project;
- Undertake any other actions related to the project as requested by UNDP or the National Project Coordinator.

**Qualifications:**

- Higher education;
- Past employment in finance organisations, and/or administrative and finance positions in international technical assistance projects;
- Excellent communication and managerial skills;
- Knowledge and experience of working with ICT;
- Fully proficient in English.

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## Advisory Council for the project of UNDP and the government of Belarus

### Rules of procedure

#### Definitions

The Advisory Council is a collective body in charge of the strategic management of the project.

The council's primary goal is to define the strategy for achieving the target outputs.

Decisions on membership in the Advisory Council are proposed by the National Co-ordinator and approved by the UNDP Resident Representative in Belarus. In addition to representatives from UNDP and the implementing agency – National Bank of the Republic of Belarus – members in the Advisory Council also include representatives from relevant government ministries, parliamentary committees, donor and international organisations, institutes of infrastructure, entrepreneurship councils. Invitations to attend the Council's meetings can be extended to members of other organisations.

The Council is chaired by the National Co-ordinator, and the Project Manager acts as the Council's secretary with the right to vote.

#### Procedures

The time and venue of the Council's meetings are defined by the Chairman.

Meetings of the Advisory Council are convened as needed, but at least twice in twelve months.

Each member of the Council should be informed about the date, time, place and agenda in advance of the meeting. Preparation for the meeting is the responsibility of the secretary.

The agenda and the procedures of the sittings are approved by members of the Advisory Council. At least one-half of all members are required for the quorum.

Decisions are made through an open vote.

The record of the meeting must be signed by the Chairman of the Advisory Council.

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## POTENTIAL RISKS

Description of risk	Degree of risk	Actions to minimise risk
1. Insufficient level of personnel and methodological capacity of the microfinance educational module at the Educational Center of the National Bank.	Medium	1. More thorough selection of Belarusian methodologists and trainers on microfinance. 2. Estimation of the developed microfinance training programs by the Project's Advisory Council on microfinance development. 3. Creation of microfinance library at the Educational Center of the National Bank.
2. Lack of interest from low-income population in participation in "Plan Your Future" program in the country regions.	Medium	Closer cooperation with local authorities, finance&credit institutions, SME support centers, NGOs and mass media to organize a campaign on enhancing popular finance culture.
3. Low interest on the part of commercial banks in training their specialists up-to-date microfinance technologies.	Low	Constant informing the commercial banks about the project implementation.
4. Change of the project's management at the National Bank of Belarus	Low	1. Inventing the position of the project's National Coordinator Councillor from the National Bank permanent staff. 2. Closer cooperation by the project with all interested divisions of the National Bank of Belarus.

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