



ສາທາລະນະລັດ ປະຊາທິປະໄຕ ປະຊາຊົນລາວ
Lao People's Democratic Republic



ອົງການສະຫະປະຊາຊາດເພື່ອການພັດທະນາ
United Nations Development Programme



ອົງການສະຫະປະຊາຊາດກອງທຶນເພື່ອການພັດທະນາ
United Nations Capital Development Fund

Government of Lao People's Democratic Republic

Bank of the Lao PDR

**United Nations Capital Development Fund
United Nations Development Programme**

Project ID: 00076452

**Joint UNCDF-UNDP Programme: Making Access to Finance
More Inclusive for Poor People**

Quarter1, 2012 Progress Report

**Reporting Period:
1 January – 31 March 2012**

I. PROJECT INFORMATION AND RESOURCES

Project number and title:	00076452 Making Access to Finance more Inclusive for Poor People
Implementing Partner:	Bank of the Lao PDR (BOL) Financial Institution Supervision Department (FISD)
Responsible Parties (if applicable):	Various Stakeholders
Donors:	UNCDF/UNDP

Project Starting date		Project completion date	
Originally planned	Actual	Originally planned	Current estimate
15 June 2010	05 July 2010	31 December 2014	31 December 2014

Period covered by this report:	01 January to 31 March 2012
Date of annual review: <i>[Indicate if planned or actual]</i>	11 January 2013 (Planned)

Total Budget	Original Budget (US\$)	Latest Signed Revision (US\$)
	7,012,189	7,012,189

Resources by Donors	Donor	Amount
	UNCDF	1,443,982
	MICROLEAD	1,837,610
	UNDP	100,000
	Funding gap	3,630,597
Q1, 2012 Planned Budget	Donor	Amount
	UNCDF	129,548
Q1, 2012 Actual Delivery	Donor	Amount
	UNCDF	110,797

II. PURPOSE

1. Main Objectives of the Project: *(as per the approved UNDP Country Programme Document and Country Programme Action Plan and/or Project Document)*

Access to finance is a key instrument to eradicate poverty in the Lao PDR. The programme plays a crucial role in the recognition of the Millennium Development Goals (MDGs) which are reflected in the United Nations Development Assistance Framework (UNDAF) in Lao PDR to which The Bank of Lao PDR, UNCDF and UNDP are signatories, which seek to enhance "...the livelihoods of poor, vulnerable and food insecure populations" through "improve and diversified income of rural households, with a focus on increased market accessibility." Access to finance will be one component for delivering UNDAF's stated intent.

The programme will contribute to achieving key UNDAF outcomes for the Lao PDR, including:

- Improved and equitable access to land, markets and social and economic services, and
- Enabling environment for equitable growth.

III. PROJECT PERFORMANCE AND RESULTS

1. Contribution to strategic goals: Improved and equitable access to land, markets, social and economic services. Enabled environment for growth with equity.

Intended Outcome: Increased access to financial services by low-income households and micro-entrepreneurs on a sustainable basis to reach a minimum of 140,000 additional active savings clients and a minimum of 70,000 additional active loan clients by 2014.

To achieve the above-mentioned outcome, the IF project will mutually deliver the following 3 key, inter-related outputs:

1. Policy makers more able to improve the policy and regulatory environment in line with operational realities of financial service providers nationally and accepted good practice internationally.
2. The financial sector development infrastructure is more capable to meet the needs of Financial Service Providers (FSPs).
3. Financial service providers more responsive to the financial needs of poor households and micro-entrepreneurs.

Progress towards achieving outcome [A brief analysis of the status of the situation and any observed change, any project contribution.] Initiated and in progress					
Annual outputs and indicators [According to project document and/or annual work plan]	Key activities completed during reporting period	Expenditures [Actual expenditures against activities completed]	Progress towards achieving outputs and targets achieved against indicators	Reasons if progress below target and response strategies [If applicable, explore underlying factors and reasons for gaps in output and target]	
Output 1: Policy-level Output - Policy makers more able to improve the policy and regulatory environment in line with operational realities of financial service providers nationally and accepted good practice internationally.	Action 1.1: Assist FSP to access trainings, technical assistances (TAs) & exposures needs (In the country and international) in the areas of microfinance best practices, regulation and supervision. Action 1.2: English Training for BoL in Laos.	POA: US\$ UNCDF: US\$	Partially Achieved TOR being drafted, to be reviewed by project team.	By second week of May will be submitted to UNDP for posting.	
Indicator Output 1: Number of FSPs licensed under microfinance regulation and having access to DPF. Baseline: 18 licensed institutions. Target: 40 licensed institutions.	Action 1.4: Support improvement of guideline to understand sustainable model of leasing.	POA: US\$ UNCDF: US\$: 14,000	Achieved 10 staff of FISD have attended English training at Vientiane College Achieved 5 BOL and concerned line ministry staff conducted study tour to Bank of Thailand to exchange lesson learned in hire-purchase (leasing) business sectors		

<p><u>Indicator Output 2</u> Extent to which BOL incorporates commonly agreed priorities of FSPs in its policy priorities</p> <p><u>Baseline:</u> Low <u>Target:</u> Moderate</p> <p><u>Indicator Output 4</u> Extent to BOL shares key regulatory principles and standards implemented by central banks in successful microfinance markets.</p> <p><u>Baseline:</u> To be established during program inception. <u>Target:</u> Moderate to high.</p> <p><u>Indicator Output 5.</u> Availability of reliable sector-wide monitoring data on financial and social impact performance of FSPs.</p> <p><u>Baseline:</u> Patchy and unreliable. <u>Target:</u> Comprehensive and highly reliable.</p> <p><u>Indicator Output 6.</u> Perceived openness and responsiveness of the</p>	<p>Action 1.7: Obligation contract payment PO_108_11 Microfinance on site inspection training year 2011</p> <p>Action 4.1: Publish the best-practice briefs on regulation and supervision from CGAPs.</p> <p>Action 4.3: Technical Assistance and Support to Output 1.</p>	<p>POA: US\$ UNCDF: US\$ 13,500</p> <p>POA: US\$ UNCDF: US\$</p> <p>POA: US\$ 2,576 UNCDF: US\$ 11,158</p>	<p>Achieved 13,500 paid to consultant</p> <p>Not achieved Consultant is reviewing all translation work</p> <p>Achieved Project staff works to implement the project activities and payments in a timely manner.</p>	<p>By end of April 2012, project will be able to approve his final payment</p>
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<p>policy environment to demands from the microfinance sector.</p> <p><u>Baseline:</u> To be established during programme inception.</p> <p><u>Target:</u> Moderate to highly responsive.</p>				
<p><u>Output 2:</u> Meso-level Output - The financial sector development infrastructure more capable to meet the needs of financial Service providers.</p> <p><u>Indicator 1.</u> Consistent trend in improvements in the performance of FSP that have received support compared with others that have not. Key measures to include portfolio at risk, client acquisition cost, loan and savings to staff ratio, operational self sufficiency, and access to additional grants and other refinancing.</p>	<p>Action 5.1: prepare operational manual, procedures to create and manage FIF and action plan to operate FIF from 2012-2014</p> <p>Action 5.2: Develop/update pretest and finalize rating tool and guidelines to assess the current status of licensed FSPs and support service providers.</p>	<p>POA: US\$</p> <p>UNCDF: US\$</p> <p>POA: US\$</p> <p>UNCDF: US\$</p>	<p><u>Partial Achieved</u> CTA will take the lead in sourcing assistance for creating these documents.</p> <p><u>Not achieve</u> Delayed by funding situation</p>	<p>Target for completion: June 30.</p> <p>Shifted to QII work plan.</p>

<p><u>Baseline:</u> To be established during program inception and various rounds of RFPs. <u>Target:</u> TBD in PBAs</p>	<p>Action 8.1: Auditors trained and certified in CGAP standards.</p>	<p>POA: US\$: 6,994 UNCDF: US\$</p>	<p>Achieved 20 participants attended training and 15 completed the program and received Certificates.</p>	
<p><u>Indicator 2.</u> Growth in the numbers of trained dedicated microfinance professionals available for the professionalization, growth and licensing of MFIs. <u>Baseline:</u> Low <u>Target:</u> 50% of all FSPs.</p>	<p>Action 8.2: Technical Assistance and Support to Output 2.</p>	<p>POA: US\$:1,732 UNCDF: US\$:34,524</p>	<p>Achieved Project staff works to implement the project activities and payment in timely manner.</p>	
<p><u>Output 3.</u> Growth in the numbers of trained banking and finance professionals to support down- streaming of commercial banking services. <u>Baseline:</u> 40 trained on distance learning course, + 0 trained in tailored microfinance curriculum provided at BI. <u>Target:</u> 700 trained on distance learning course + 300 trained in tailored full</p>				

<p>spectrum microfinance curriculum of international standard at BI.</p> <p><u>Output 4.</u> Numbers of FSPs disclosing audited financial statements on MIX-Market to demonstrate their willingness to be transparent.</p> <p><u>Baseline:</u> 2,500 banking and finance professionals receiving training at BI without a microfinance module.</p>				
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<p>Output 3: Micro-level Output - National capacity for grant aid procurement, contracting, asset management and HR management increased to international standards</p> <p><u>Output 1.</u> FSPs receiving technical assistance offer a more diverse range of financial services.</p> <p><u>Baseline:</u> Highly narrow range products and delivery systems.</p> <p><u>Target:</u> Significantly wide range of products delivered through diverse systems.</p>	<p>Action 9: Programme support including Supplies, Office maintenance, Communication and Contingency.</p>	<p>POA: US\$:2,571 UNCDF: US\$</p>	<p>Achieved - MAFIPP implement project facility for first quarter 2012. - Project equipment purchases reached final process of issuing purchase order to supplier by UNDP procurement unit.</p>	<p>Equipment delivery expected in May 2012.</p>
	<p>Action 10.1: NIM Training.</p>	<p>POA: US\$ UNCDF: US\$</p>	<p>Not achieve No training available at this time by DIC</p>	<p>In QII DIC will share training schedule for this year.</p>

<p><u>Output 2.</u> FSPs receiving technical assistance and support are recognized as market leaders as evidenced by the quality and growth of their portfolio and overall market share.</p> <p><u>Baseline:</u> To be established during programme inception and through various rounds of RFPs.</p> <p><u>Target:</u> 70% of all FSPs supported have more than 100% OSS and they collectively hold more than 90% of market share.</p>	<p>Action 10.2: UNCDF Retreat.</p>	<p>POA: US\$: 1,310</p> <p>UNCDF: US\$:304</p>	<p><u>Achieved</u> CTA and programme specialist attend the UNCDF retreat in Bangkok</p>	
<p><u>Output 3.</u> FSPs receiving technical assistance and support demonstrate growing share of loan portfolios funded through deposits and equity, and growing portfolio per officer.</p> <p><u>Baseline:</u> None.</p> <p><u>Target:</u> Captured in PBAs</p>				

	Total Payment from POA :	US\$: 15,666		
	UNCDF/UNDP support service/direct payment:	US\$: 95,131		
	Grand Total Approx:	US\$: 110,797		

2. Update on implementation of the Vientiane Declaration and its Action Plan *[Brief update on any achievement and/or problem related to the implementation of the Vientiane Declaration. It should also include issues related to the introduction of HACT and actions planned for the following period.]*

During the quarter, the Project sourced an opportunity for support from AusAID under their proposed Integrated Sustainable Rural Livelihoods Programme. An integral part of the UNCDF Proposal submitted to AusAID was the creation of the Fund for Inclusive Finance (FIF) as the conduit for donor coordination and disbursements. The FIF is to be established later this year through MAFIPP, with initial work beginning in QII. The BOL shall Chair the Project Mgmt Committee (PMC) of the FIF with participation also from UNDP and UNCDF. At present, the BOL Chairs the MAFIPP Project Mgmt Committee and approves Budgets and Work Plans. The formation of FIF is part of the Project Document and as a signatory to the ProDoc and in their role as Implementing Partner, Government is displaying their support for the FIF approach. As the recipient and disbursing agent for the AusAID funds, FIF expects to create greater donor coordination in accordance with the Vientiane Declaration and specifically, to i) minimize disbursement pressure; ii) harmonize reporting; iii) reduce administrative costs; and iv) expedite payments and implementation. AusAID has indicated strong support for the FIF structure due in part to its donor coordination approach. Future donors for MAFIPP will be encouraged to channel their support through the FIF to further coordinate donor activity. There will be a Semi-Annual Review of the Project in late QII to assess progress and coordinate with Government and other stakeholders. The Project has not introduced HACT and implementation is subject to further information dissemination from UNDP/UNCDF and training for the individuals implementing this practice.

3. Update on partnerships *[Brief update on any achievement and/or problem in developing partnerships and inter-agency collaboration. It should also include strategies for south-south cooperation]*

MAFIPP project is continuing to support MFWG while seeking further donor partnerships. The exact nature of the support is under review to be finalized during the QII 2012 PMC. The MicroLead project (with a focus on south-south cooperation) is continuing, a new disbursement request from CARD is under review. The PBA for ACLEDA Bank Lao is also in process for sign-off during QII.

As discussed in 2 above, the Project is proceeding in negotiations with AusAID for a sizable grant which will support the fundamental initiatives of MAFIPP, including support for MFIs, meso-level service providers and assessment and launch of a Branchless Banking/Mobile Money product and upgrading the capacity and scope of the Lao Postal Savings Institute. If approved, the AusAID funding could begin by Oct. 2012.

4. Update on gender mainstreaming *[Brief update on any achievement and/or problem in terms of mainstreaming gender within the project activities. Strategy for the following period]*

The project has been fully aware of gender equality when selecting BoL staff to attend workshops, meetings, study tours and training. This is to ensure that there is gender balance and equality where appropriate. For example, the study tour to Bangladesh, 3 female participants from the BoL participated and in the visits to international microfinance educational institutions in Sri Lanka and the Philippines, BOL and the BI were each represented by women. BOL was also represented at the Asian Credit Unions Forum by a woman participant. All of the BOL staff supporting the MAFIPP project are female (with the exception of the National Programme Director) and all of the local staff employed by the Project are also female. At the Project implementation level, the CARD

assistance to local MFIs measures female client levels and female clients are included in their performance targets.

5. Update on audit recommendations *[Brief update on progress achieved and problems encountered. Actions planned for the following period]*

None – the project has not been audited for 2010-2011. A mid-term review of the MicroLead programme (global) was conducted in December 2011 by independent evaluators which included a cursory review of MAFIPP. The results are scheduled for release in approx June 2012.

6. List main challenges and issues (if any) faced during reporting period *[as well as response strategies adopted]*

6.1. Non-core funding continues to be the primary challenge for the Project in 2012. Due to a sharp reduction in core contribution for this year, the Project has had to reduce planned activities for the year to basic minimums. Until additional funding can be raised, the Project will focus on “mission critical” activities and on raising non-core resources. A Proposal submitted to AusAID for approx \$9.6mln will channel funding through the Fund for Inclusive Finance which in turn will support micro and meso level institutions, activities which have been temporarily curtailed. Following a staff retreat in BKK earlier this year, the team agreed to create a fundraising plan to intensify donor contact and develop relationships with potential donors for attracting non-core funds.

6.2 The Project is facing delays in disbursing new funding through MicroLead to CARD for their 212 programming. This is an administrative delay due to the need to compile information on performance and requests by CARD to amend the PBA. This will be addressed during QII and an amended and restated PBA concluded. In the meantime, CARD has successfully reported the FY 2012 results of their partner MFIs in Laos to the MIX Market under the new UNCDF reporting format.

6.3 The funding allocation for the Microfinance Working Group has been delayed due to lack of clarity of the need for funding in the “mission critical” budget. The AWP allocates \$15,000 for the MFWG for 2012, however, approval of this amount was deferred in the January PMC and scheduled for further discussion in the April PMC. As a result, the Project has not disbursed any funds to MFWG this year. In its April meeting, the PMC agreed to fund the MFWG for the budgeted \$15,000 for 2012 subject to certain conditions, including continued efforts toward formalization and the design of a Certificate program in microfinance. This decision has eliminated the uncertainty around this issue for 2012. Furthermore, in its Proposal to AusAID, the Project has submitted requests for substantial funding (\$200k over 4 yrs) for the MFWG within its support to meso-level organizations.

7. Rating on progress towards results

Output:*[From table 1. Contribution to Strategic Goals]*

Output 1: Policy makers more able to improve the policy and regulatory environment in line with operational realities of financial service providers nationally and accepted good practice internationally.

<input checked="" type="checkbox"/>	Positive change
<input type="checkbox"/>	Negative change
<input type="checkbox"/>	Unchanged

Output 2: The financial sector development Positive change

infrastructure more capable to meet the needs of financial service providers.	<input type="checkbox"/>	Negative change
	<input type="checkbox"/>	Unchanged
Output 3: National capacity for grant aid procurement, contracting, asset management and HR management increased to international standards.	<input checked="" type="checkbox"/>	Positive change
	<input type="checkbox"/>	Negative change
	<input type="checkbox"/>	Unchanged

IV. ADDITIONAL ACTIVITIES WHICH CONTRIBUTE TO THE OUTCOME AND/OR OUTPUTS

Provide information about any activities undertaken by the project that were NOT envisaged in the work plan but which contributed to the outcome and/or outputs? E.g. advocacy and policy dialogue.

Following a UNCDF Regional Retreat in Bangkok in February the Project team determined that a branding campaign was needed to attract suitable donors to MAFIPP. As a result, the CTA has coordinated with the communications officer at UNCDF BKK to collaborate on creation of a brochure, logo and tagline for the project, to be followed by the launch of a website. 3 branding firms have submitted proposals and the work which should begin during QII.

V. FUTURE WORK PLAN

1. What are the priority actions planned for the following quarter to overcome constraints, build on achievements and partnership, and use of the lessons learned during the previous quarter?

Priority actions planned for this quarter:


1. Ongoing support to AusAID proposal, provide timely follow up;
2. Develop and initiate fundraising strategy, intensify donor contacts;
3. Proceed on development of a partnership for the Lao Banking Institute (BI) around development of a degree program;
4. Provide support to MFWG, conclude PBA;
5. Provide support to MicroLead and Partners, including TSP disbursement, update of PBA, and provide local guidance around ML project reporting, including assistance to Partners on reporting using the MIX Market Gold application;
6. Conclude PBA for ACLEDA Bank Lao;
7. Finalize \$100k training allocation to BOL under Micro Lead/ACLEDA ;
8. Create FIF, including operational and procedures manual and action plan; for launch in 2012;
9. Recruit international consultant to conduct trainings in the areas of microfinance best practices, regulations and supervision (based on the assessment report from FISD).

2. List major adjustments in the strategies, targets or key outcomes and outputs planned.

Closer coordination among BOL FISD, UNCDF PO and Project staff to improve efficiency and avoid duplicative efforts.

**3. Estimated total budget required for Second Quarter Work Plan 2012:
US\$ 180,423**

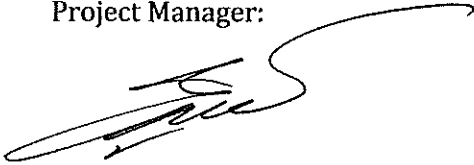
REVIEWED BY



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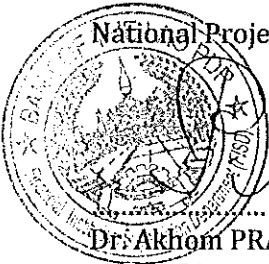
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