**Quarterly Project Progress Review Report**

**DATE: 15 January 2014**

**Award ID: 00074121**

**Description: Capacity of Livelihood Institution including Microfinance**

**Implementing Partners: Pact Institute; GRET; Save the Children**

**Period Covered: Oct – Dec 2013**

**1. Project Risks and Issues logs:**

Project Risk log: *Please integrate the latest project risk log (from previous quarter or original project risk log if this is the first QPR for the project) and update as relevant*

| **#** | **Description** | **Date Identified** | **Type** | **Impact &**  **Probability** | **Countermeasures / Mngt response** | **Owner** | **Submitted, updated by** | **Last Update** | **Status** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | **Government counterpart does not accept transition proposal** | February 2013 | Political/Strategic | Acceptance of the transition proposal by the government counterpart is a major prerequisite for finalizing the transition and if not obtained can lead to serious delays and have potential wider effects on UNDP programmes  P = 3  I =5 | Consultation with counterpart department (SSID) before submission of transition proposal and advocacy to address relevant concerns | MF Specialist | MF Specialist | Dec 2013 | (Accepted) |
| 2 | **Delay in transition process** | January 2013 | Operational | Delay could also be caused by late response of HQ to clearance requests or procedural issues in implementing the transition agreement  P = 2  I = 3 | Follow up HQ responses on relevant issues and make necessary preparations for implementing the transition agreement in a timely manner | MF Specialist | MF Specialist | Dec 2013 | No change  (in follow up process) |
| 3 | **Insufficient institutional capacity of organization to which MFP assets are transferred** | February 2013 | Organizational | If the organization to which MFP assets are transferred is unable to manage these properly, this would impact future sustainability and reputation of the project.  P = 2  I = 4 | Appropriate assessment of the organization to which MFP assets are to be transferred | MF Specialist | MF Specialist | Dec 2013 | Assets Valuation Exercise completed and showed that PACT MFP has a strong senior management and middle management team. |

Project Issues Log: *Please integrate the latest project issues log (from previous quarter) and update as relevant – or if this the first QPR of the project, fill in the below template*

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| **#** | **Description** | **Date Identified** | **Type** | **Impact &**  **Priority** | **Countermeasures / Mngt response** | **Owner** | **Submitted, updated by** | **Last Update** | **Status** |
| 2 | **Identification of transition strategy with donors** | March 2013 | Other | Discussions with donors have resulted in a draft strategy, however this still needs to be accepted by government counterpart and is dependent on the selected IP providing the required deliverables  Priority = 4 | Continued consultation with all stakeholders and coordination with IP | MF Specialist | MF Specialist | Dec 2013 | Completed as government accepted the transition proposal in November 2013. |

**2. Project Performance: Strengthened Institutional capacity to support sustainable livelihoods and reintegration programmes**

Project ID: 00086667

Description: Microfinance Transition

Implementing Partner: Pact Institute; GRET; Save the Children

Baseline: *as per CP*

Indicator: *as per CP*

[2013] Target: Micro-finance operations and ownership transferred to

selected financial intermediary

[2013] Achievement: *Narrative – please describe achievements at the output level, taking into account all activities*

* Microfinance Project Transition proposal was submitted to Ministry of Co-operatives in October 2013 and draft MoU between the Ministry of Co-Operatives and UNDP in early December 2013. Ministry of Co-operatives is now in process of requesting feedback from concerned Ministries and Regional Governments. Upon acceptance by the Cabinet, the project asset transfer MoU will be signed. In this MoU, Pact Global Microfinance (PGMF) is identified as the selected financial intermediary and thus, microfinance operations and ownership will be transferred to PGMF.
* Asset transfer agreement to be signed between UNDP and PGMF is in the process of being finalised, with feedback from respective HQs.

How has the gender dimension been addressed: *Please describe specific results achieved in the area of gender mainstreaming (if any) with a brief narrative*

N/A

**2.1. Activity Performance: Increased institutional capacity to promote inclusive rural financial services**

Activity ID: 1.3

Start date: Jan 1, 2013

End date: Dec 31, 2013

Purpose: Transition of UNDP’s current retail microfinance portfolio in support of a

competitive and effective microfinance sector

Description: *describe the big chunks of activities that are to take place under this activity ID during the year. Depending on how detailed the AWP targets are, these could be used here.*

The set of activities consists in transferring the management and ownership of the funds that UNDP has invested in communities through INGO institutions like PACT, GRET and Save the Children, to sustainable institution(s) that can promote the interest of further developing inclusive financial services. A transition strategy has been developed to this effect, based on consultations with project donors.

* Two rounds of consultations with Ministry of Co-operatives to discuss transition options were held.
* An independent international legal consultant was contracted to review all project documents, provide a legal assessment report to UNDP and prepare a draft transfer agreement. This transfer agreement will be signed between UNDP and Pact Inc.; Pact Institute; and PGMF.
* An International legal firm (DFDL Myanmar Ltd.) was contracted to review MFP Transition MoU and Project Assets & Liabilities Transfer Agreement from the perspective of Myanmar legal context.
* Microfinance Project Transition Proposal was submitted to Ministry of Co-operatives in October and upon acceptance of that proposal, Memorandum of Understanding (MoU) on UNDP Microfinance Project Assets Transfer and Transfer Agreement were submitted to Ministry of Co-operatives in December 2013. This proposed MoU on project asset transfer is to be signed between the Ministry of Co-Operatives and UNDP.

| **Quality Criteria** | **Quality Method** | **Quality Assessment Due Date** | **User Perspective** | **Timelines** | **Resource Usage** | **Gender Perspective** |
| --- | --- | --- | --- | --- | --- | --- |
| **(Date – Rating: Comments)** |  |
| *Please enter activity result here* | *Please indicate how you will establish what really happened, i.e. source of information)* | *Please indicate the planned completion date for the result activity (as per AWP)* | *By date, please provide a short narrative of project activities that were undertaken, including some detail as to what exactly was done/happened, as well as feedback on success/impression of the project activity* | *Please indicate whether the activity was completed on time* *as per AWP* | *Please indicate whether this required any additional funding/resources, or made use of special funds, etc.* | *Please describe how the gender dimension has been addressed in the implementation of the project activity* |
| Proposal on MF Project Transition and Assets Transfer | Submission of the Proposal on MF Project Transition and Assets Transfer to Ministry of Co-Operatives | August 2013 | Ownership transfer of assets held by Pact to a selected financial intermediary submitted on the 18th October 2013. | Delayed 2 months | No additional fund required | N/A |
| Reviewed MFP Transition MOU and Assets and Liabilities Transfer Agreement | MFP Transition MOU and Assets and Liabilities Transfer Agreement reviewed by an International Law Firm and UNDP Head Quarter. | November 2013 | The draft MFP Transition MoU and Assets Transfer Agreement were reviewed by DFDL Myanmar Ltd., an International Law Firm based in Yangon and UNDP Head Quarter during November 2013 and final review completed on the 19th December 2013. | Delayed 2 weeks | US$ 13,125 | N/A |
| Memorandum of Understanding (MoU) of the Microfinance Project Transition between UNDP and Ministry of Co-Operatives | Submission of Memorandum of Understanding (MoU) of the Microfinance Project Transition to Ministry of Co-Operatives | November 2013 | The principal interest of both SSID and UNDP is the continuity of the provision of microfinance services to current clients of the Microfinance Project and generally to promote the further development of inclusive financial services in Myanmar.  Serves as project closing document submitted on the 10th December 2013. | Delayed 1 month | No additional fund required | N/A |
| MFP Assets and Liabilities Transfer Agreement | Submission of the MFP Assets and Liabilities Transfer Agreement to Ministry of Co-Operatives | November 2013 | Transfer agreement serves as legal basis for assets transfer from UNDP to PGMF submitted to Ministry of Co-Operatives on the 10th December 2013. | Delayed 1 month | No additional fund required | N/A |
| Meetings with Ministry of Co-operatives discussing on MFP transition proposal and MoU. | Meeting minutes on two rounds of consultations with the Ministry of Co-Operatives. | November 2013 | On November 6, the Director General of Small Scale Industries Department, Ministry of Co-Operatives provided comments on MFP transition proposal especially to describe the Ministry as key focal for project monitoring.  The UNDP Country Director met with HE Minister U Kyaw San in December 19 and mainly discussed:   * The MFP closes on 31 December 2013. After that and after the assets transfer to PGMF, it is no longer a project, but a normal MFI operation. * If PGMF ends engagement in Myanmar, it should retransfer the Project assets to another licensed microfinance institution in Myanmar, agreed to by the government. | Delayed 1 month | No additional fund required | N/A |

Activity ID: LIFTII-CW & LIFTII-Delta

Start date: Jan 1, 2013

End date: Dec 31, 2013

Purpose: Sustainable Microfinance to improve the Livelihoods of the Poor

Description: *describe the big chunks of activities that are to take place under this activity ID during the year. Depending on how detailed the AWP targets are, these could be used here.*

UNDP Myanmar has implemented its microfinance project under the legal framework of the signed project document. This activity is the extension of HDI IV under Microfinance Project which has been conducted under contractual arrangement with Ministry of Co-Operatives through Foreign Economic Relation Department since 1997 during HDI II implementation period.

However, with the enactment of a Microfinance law in 2011 and the ending of the project under the HDI-IV, UNDP and its implementing partners in cooperation with relevant stakeholders are required to process the transfer of the project assets as stipulated under the legal framework of the project document. Before the MF project transition option becomes clear, it is needed to continue providing the retail micro financing for uninterrupted and continuous financial services to the targeted community.

Retail microfinance is ongoing since 1997 and currently 3 INGOs: Pact, GRET and Save the Children are providing microfinance services under UNDP contractual agreements in 4 regions: Shan, Dry, Delta, and Chin in 30 townships reaching 632,474 clients in 6360 villages during the course of the project.

During the fourth quarter of 2013, US$ 42.4 million was disbursed to 388,408 active borrowers, the MF project members across the 4 regions mentioned above, for Agriculture and non-agricultural businesses including SRG wholesale loans and social loans for health care and education. As of December 31, 2013, total loan outstanding for the project is US$ 75.93 million.

Saving and beneficiary welfare services are delivered together with financial services to strengthen clients’ coping stagey in times of emergency. Total accumulated saving as of December 31, 2013 was MMK 16,345 million (US$ 16.53 million) from 426,824 active clients.

Beneficiary welfare services are delivered together with financial services to strengthen clients’ safety net in times of emergency.

| **Quality Criteria** | **Quality Method** | **Quality Assessment Due Date** | **User Perspective** | **Timelines** | **Resource Usage** | **Gender Perspective** |
| --- | --- | --- | --- | --- | --- | --- |
| **(Date – Rating: Comments)** |  |
| *Please enter activity result here* | *Please indicate how you will establish what really happened, i.e. source of information (e.g. project manager’s reports, training surveys, etc.)* | *Please indicate the planned completion date for the result activity (as per AWP)* | *By date, please provide a short narrative of project activities that were undertaken, including some detail as to what exactly was done/happened, as well as feedback on success/impression of the project activity* | *Please indicate whether the activity was completed on time* *as per AWP* | *Please indicate whether this required any additional funding/resources, or made use of special funds, etc.* | *Please describe how the gender dimension has been addressed in the implementation of the project activity* |
| MF Service delivery | Financial Statement;  Quarterly Report;  MIS reports | According to disbursement plan | On-going service delivery as per plan | It is mostly completed as per plan. Delivery rate as of Dec. 2013 was 90% to the AWP. | According to contractual agreement between UNDP & donors (LIFT & USAID), it covered fund requirement for 2013.  No additional funding required. | More than 90% of MF clients are women. Democratic governance practices have been built up with plan for women leadership development. |
| End of project evaluation for SRG-MF Linkage in Shan Zone | End of project evaluation report for SRG-MF Linkage in Shan Zone | September 2013 | Project end evaluation conducted in September 2013 and final report accepted in early October 2013.  This initiation demonstrated Grant and lending model worked side-by-side with continuous monitoring by SRG capacity building team from ICDP. And these wholesale loans raised entrepreneur poor to expand their micro businesses unto small businesses. | Completed on schedule. | US$ 14,341 | Women empowerment |
| Asset Valuation Exercise for Pact Myanmar Operations | Assets Valuation Report based on field survey by consultant in 3 project zones | End of December 2013 | The final Asset Valuation Report received on the 11th December 2013.  Cash balance and fixed assets as on 30 September 2013 are accurately reflected in the Balance Sheet of PACT MFP. The audit team was also able to reconcile the Gross Loan Portfolio of PACT MFP outstanding with the clients as on 30 September 2013, at the field level with that presented in its MIS and Accounts at branch as well as the HO level. The amount of loan loss provisions created by PACT MFP for the loan portfolio in Dry and Delta region adequately meet the risk perception of the auditors, however, the audit team suggests an additional loan loss provision of 5% for the loan portfolio at Shan which will reduce the book value of net loan portfolio and net assets by MMK582 million. | Completed on schedule. | US$ 58,639 | N/A |