

3 February 2012

Dear Mr. Pham,

Subject: Annual Work Plan 2012 for MAFIPP Joint Programme

The attached requests your concurrence to the AWP 2012 for this Inclusive Finance project, which includes a funding gap for the year of \$352,000. While some gap in funding was already anticipated for this year, the amount rose in December due to an across the board reduction in ASL for all UNCDF projects, the effect of which was to reduce the contribution from UNCDF core for Lao PDR by \$200,000 to \$400,000. With the UNDP contribution, the total ASL for 2012 will be \$460,000 while approx \$600,000 was anticipated.

The project has scaled back the activities in this budget by approximately \$200k to reduce the gap to its current level while retaining critical programme initiatives. It is our assessment, any further cut back to the AWP 2012 may affect the smooth working relationship with the Bank of Lao PDR. In addition, we believe that donor funding at this level is achievable in this year. We have received a preliminary expression of interest from Luxembourg and will further define our funding strategy for the year at the upcoming UNCDF regional retreat in Bangkok next week. While we have no assurances at this time, we are optimistic that this gap can be closed with donor commitments. In addition, in cooperation with BOL we will be prioritizing programme activities this year to attract donors as well as to ensure that critical activities and commitments continue to be met.

Given the slow start this project has already experienced since signing in July 2010, it is essential to proceed with planned activities while concurrently seeking donor commitments to close the gap. It is agreed among our team that in 2012, fundraising will take priority over most programme activities, with a goal of closing the \$352k gap allowing us to implement 100% of our deliverables.

We appreciate your support and welcome your advice as we solicit donor participation in the MAFIPP joint-programme this year.

Yours sincerely,



Feisal Hussain
Senior Regional Technical Advisor
Inclusive Finance

Mr. Minh Pham
Resident Representative and Resident Coordinator
United Nations Development Programme
Vientiane



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Lao People's Democratic Republic



ອົງການສະຫະປະຊາຊາດເພື່ອການພັດທະນາ
United Nations Development Programme



ອົງການສະຫະປະຊາຊາດກອງທຶນເພື່ອການພັດທະນາ
United Nations Capital Development Fund

Annual Work Plan 2012 Lao PDR

Project Title	Making Access to Finance more Inclusive for Poor People
Project Number	00076452
UNDAF Outcomes:	UNDAF OUTCOME 1: The livelihoods of poor, vulnerable and food insecure populations are enhanced through sustainable development
Joint Programme Outcome:	Increased access to financial services by low-income households and micro-entrepreneurs.
Expected Joint Programme Outputs:	<ol style="list-style-type: none"> 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 more capable to meet the needs of financial service providers. 3. Financial service providers more responsive to the financial service needs of poor households and micro-entrepreneurs.
Implementing Partner:	Department of Financial Institution Supervision; Bank of The Lao PDR (BOL)
Responsible Parties:	Various stakeholders

Narrative

Achievement of MDGs generally and improving opportunities for current and future generations is critically dependant on significantly increasing people's access to finance. Increasing access and thereby improving opportunities for the majority will require a sector based approach to transform the ability of financial markets to respond to demands for financial services for those without access.

This joint programme, nationally implemented by the Bank of the Lao PDR (BOL) on behalf of the Government of the Lao PDR (GOL), will contribute to improved and equitable access to land, markets and social and economic services, as well as to an enabled environment for economic growth with equity. It will specifically increase access to financial services by low-income households and micro-entrepreneurs on a sustainable basis from 30,000 active clients in 2010 to over 140,000 active clients by 2014. The joint-programme will give practical expression to the 2006 Vientiane and Paris Declaration on Aid Effectiveness by establishing a pooled funding mechanism to facilitate donor coordination, providing a framework for more coherent programming.

Programme Period: 2007 – 2011

Key Result Area (Strategic Plan): _____

Atlas Award ID: 00060651

Atlas Project ID: 00076452

Duration: June 2010 to December 2014

Estimated annualized budget: USD812,846

Total allocated resources: USD460,000

- Government: In kind
- UNCDF Core: USD400,000
- UNDP Core: USD 60,000

Unfunded budget: USD 352,846

In-kind Contribution: _____



Agreed by Implementing Partner:

Dr. Akhom PRASEUTH

Date: 03 FEB 2012

Acting Director General

Department of Financial Institution Supervision

Bank of The Lao PDR

03/02/2012

Agreed by UNCDF:

Mr. David Jackson

Date:

Head of UNCDF Regional Office



09/17/12

Agreed by UNDP:

Mr. Minh H. Pham
UNDP Resident Representative

Date:

Key priorities deliverables for 2012

Based on the key outputs identified in the Project Document, the key priorities for 2012 are:

1. Assist FSPs to access training, technical assistance and exposure needs (in-country and international) in the areas of microfinance best practice, regulation and supervision.
2. Study tour in Philippines to support BOL as policy maker relating to branchless banking; review best practices in terms of model, regulation/supervision, technology and products.
3. Study tour in Indonesia to review m-banking models, identify pros and cons in effort to select the most suitable model for Laos.
4. Translate and publish best practice briefs from CGAP, UN Financial Inclusion and other sources.
5. Consultative meeting with FSPs, support service providers (meso level) and stakeholders to introduce the Fund for Inclusive Finance (FIF) and to disseminate procedures for FIF activities.
6. Technical workshop specifically for FSPs and FIRD technical staff to improve their knowledge of FINA software and capability of database online connection.
7. Training of auditors in CGAP standards
8. Create and launch the FIF in 2012, including preparation of Action Plan, Operating Manual, Policies and Procedures.
9. Provide support to MFWG for activities including research MIX posting.
10. Annual Micro Finance Forum
11. Project Annual Review Meeting

Annual deliverables for 2012

In accordance to the key priorities specified above, the major deliverables of the project will be:

1. Launch of FIF and intensified fundraising efforts.
2. Market assessment and development of e/m-banking product.
3. MicroLead support for branch expansion at ACLEDA Bank Laos and support for MFIs and SCUs through CARD.
4. Support for development and launch of Microfinance degree programme through the Banking Institute.
5. Continued support for MFWG.
6. FSPs to begin MIX market reporting.

Annual Work Plan

Year: 2012

Project Number: 00076452

Project Title: Joint UNCDF-UNDP Programme on Making Access to Finance more Inclusive for Poor People

EXPECTED OUTPUTS And baseline, associated indicators and annual targets	PLANNED ACTIVITIES List activity results and associated actions targets	2012				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount	
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.										
Indicator Output 1:										
1. Number of FSPs licensed under microfinance regulation and having access to DPF. Baseline: 18 licensed institutions. Target: 40 licensed institutions.	Action 1.1: Assist FSPs to access trainings, technical assistance (TAs) & exposure needs (in-country and international) in the areas of microfinance best practices, regulation and supervision	x					UNCDF	71600	Travel	5,000
		x					UNCDF	72100	Contractual Services-Companies	15,000
		x					UNCDF	73100	Rental & Maintenance-Premises	3,000
		x					UNCDF	72500	Supplies	500
		x					UNCDF	74500	Miscellaneous Expenses	500
									<i>Sub Total 1.1</i>	24,000
	2. Extent to which BOL incorporates commonly agreed priorities of FSPs in its policy priorities. Baseline: Low Target: Moderate.	X	x	x	x		UNCDF	72100	Contractual Services-Companies	15,000
									<i>Sub Total 1.2</i>	15,000
	3. Demonstration of clear process to assess the need for a policy on branchless banking and a policy where the need is found to be compelling. Baseline: No process exists Target: Policy process completed and results are acted on.		x				UNCDF	71600	Travel	9,000
			x				UNCDF			
							UNCDF	71200	International Consultants	10,000
							UNCDF	74500	Miscellaneous Expenses	1,000
									<i>Sub Total 1.3</i>	20,000
		x					UNCDF	71600	Travel	9,500
		x								
	4. Extent to which BOL shares key regulatory principles and standards implemented by central banks in successful microfinance markets. Baseline: To be established during Target: Moderate to high.	x					UNCDF	74500	Miscellaneous Expenses	500
		x								
									<i>Sub Total 1.4</i>	10,000

Activity Result 4: Education and Awareness on best-practice of FSP and regulation										
Action 4.1: Translate and publish best practice briefs from CGAP, UN Financial Inclusion and other sources										10,000
		X								
			X							
Action 4.2: Develop and publish brochures on FIF for distribution to potential donors										2,000
		X								
			X							
Action 4.3: Technical Assistance and Support to Output 1										3,673
		X								
			X							
										15,673
										1,000
										1,000
										85,137
										1,325
										7,182
										93,644
										110,317
										253,767
Output 2: Meso-level Output										
- The financial sector development infrastructure more capable to meet the needs of Financial Service Providers.										
Activity Result 5: Set up Fund for Inclusive Finance (FIF)										
1. 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.										2,000
Baseline: To be established during programme inception and various rounds of RFPs. Target: TBD in PBAs										10,000
2. Growth in the numbers of trained dedicated microfinance professionals available for the professionalization, growth and licensing of MFIs. Baseline: Low Target: 50% of all FSPs.										500
										12,500
										2,000
										7,000
										500
										9,500
										5,000
										5,000
										2,000
										1,000
										13,000
										3,000
										10,000
										1,000
										14,000

3. Growth in the numbers of trained banking and finance professionals to support down-streaming of commercial banking services. Baseline: 40 trained on distance learning course + 0 trained in tailored microfinance curriculum provided at BI. Target: 700 trained on distance learning course + 300 trained in tailored fullspectrum microfinance curriculum of international standard at BI.	Action 5.5: Technical workshop specifically for FSPs and FISD technical staff to improve their knowledge of FINA software and capability of database online connection	x				71600	Travel	1,600		
		x				71200	International Consultants	7,000		
		x				73100	Rental & Maintenance-Premises	1,000		
		x				72500	Supplies	200		
		x				74500	Miscellaneous Expenses	200		
							<i>Sub Total 5.5</i>	10,000		
4. Numbers of FSPs disclosing audited financial statements on MIX-Market to demonstrate their willingness to be transparent. Baseline: 2,500 banking and finance professionals receiving training at BI without a microfinance module. Target: 2,500 banking and finance professionals receiving training at BI with microfinance module of international standard.	Action 5.6: Capacity assessment of all FSPs as part of due diligence for FIF funding and for establishing base-line		x			71600	Travel	3,000		
			x			71200	International Consultants	10,000		
			x			73100	Rental & Maintenance-Premises	1,000		
			x			72500	Supplies	500		
			x			74500	Miscellaneous Expenses	500		
							<i>Sub Total 5.6</i>	15,000		
							<i>Sub-total Activity Result 5:</i>	74,000		
Activity Result 6: Increased capacity of BoL, Lao Banking Institute (BI), FSPs and support service providers with productization of best practices and other microfinance training products for The Lao PDR microfinance professionals.										
5. Growing numbers of FSPs contribute membership fees and senior management time to the MFWG. Baseline: None. Target: 80% of FSPs with more than Kip 8000m outstanding loan portfolio	Action 6: Support launch of a microfinance degree programme and capacity building for microfinance professionals at the Banking Institute									
		X	X	X		72605	Grants to Instit & other Benef	100,000		
									<i>Sub Total 6</i>	100,000
									<i>Sub-total Activity Result 5:</i>	100,000
Activity Result 7: Increased capacity of Microfinance Working Group (MFWG) to Support microfinance sector										
6. MFWG is recognised as a 'go-to' organisation for policy makers, donors, investors and re-financing institutions. Baseline: To be established during programme inception. Target: Highly recognized.	Action 7: Provide support to MFWG for activities including research MIX posting	X	X	X	X	72615	Micro Capital Grants-Other	15,000		
									<i>Sub Total 7</i>	15,000
							<i>Sub-total Activity Result 7:</i>	15,000		

Activity Result 8: Training and TA support to FSPs and meso level service providers												
	X									72100	Contractual Services-Companies	10,000
Action 8.1: Auditors trained and certified in CGAP standards	X									73100	Rental & Maintenance-Premises	2,000
	X									72500	Supplies	1,000
	X									74500	Miscellaneous Expenses	1,000
											<i>Sub Total 8.1</i>	14,000
Action 8.2: Technical Assistance and Support to Output 2	X	X	X	X						61000	CTA budget line	235,544
	X	X	X	X						71600	Travel	3,667
	X	X	X	X						71400	Contractual Services - Individ	19,871
											<i>Sub Total 8.1</i>	259,082
											Sub-total Activity Result 8:	273,082
											Total Output 2	462,082
Output 3: Micro-level Output.												
- Financial service providers more responsive to the financial service needs of poor households and micro-entrepreneurs.												
Activity Result 9: Programme support running cost "Making Access to Finance more Inclusive for Poor People"												
1. FSPs receiving technical assistance offer a more diverse range of financial services.	X	X	X	X						72200	Equipment and Furniture	1,000
Baseline: Highly narrow range products and delivery systems.	X	X	X	X						72800	Information Technology Equipmnt	6,550
Target: Significantly wide range of products delivered through diverse systems.	X	X	X	X						72805	Acquis of Computer Hardware	1,000
	X	X	X	X						72500	Supplies	2,000
	X	X	X	X						73100	Rental & Maintenance-Premises	1,000
	X	X	X	X						74200	Audio Visual&Print Prod Costs	1,000
2. FSPs receiving technical assistance and support are recognised as market leaders as evidenced by the quality and growth of their portfolio and overall market share.	X	X	X	X						74500	Miscellaneous Expenses	1,450
Baseline: To be established during programme inception and through various rounds of RFPs.	X	X	X	X						72400	Communic & Audio Visual Equip	2,000
Target: 70% of all FSPs supported have more than 100% OSS and they collectively hold more than 90% of market share.	X	X	X	X						73400	Rental & Maint of Other Equip	6,000
											<i>Sub Total 9</i>	22,000
											Sub-total Activity Result 9:	22,000

3. FSPs receiving technical assistance and support demonstrate growing share of loan portfolios funded through deposits and equity, and growing portfolio per officer.

Baseline: None.

Target: Captured in PBAs

4. FIF and FSPs receiving support from FIF attract additional funding.

Baseline: None.

Target: USD 7m.

Activity Result 10: Implementation of NIM training and UNCDF retreat										
Action 10.1: NIM trainings	X	X	X	X	UNDP	71600	Travel	4,000		
	X	X	X	X	UNDP	74500	Miscellaneous Expenses	1,000		
							Sub Total 10.1	5,000		
Action 10.2: UNCDF Retreat	X			X	UNCDF	71600	Travel	7,000		
							Sub-total Activity Result 10:	12,000		
Activity Result 11: Micro Finance Forum and Annual Project Review Meeting are organized										
				X	UNDP	72500	Supplies	625		
				X	UNDP	71600	Travel	7,500		
Action 11.1: Annual Micro Finance Forum				X	UNDP	73400	Rental & Maint of Other Equip	3,750		
				X	UNDP	74200	Audio Visual&Print Prod Costs	1,250		
				X	UNDP	74500	Miscellaneous Expenses	1,875		
							Sub Total 11.1	15,000		
				X	UNDP	72500	Supplies	412		
				X	UNDP	71600	Travel	888		
Action 11.2: Project Annual Review Meeting				X	UNDP	73400	Rental & Maint of Other Equip	1,500		
				X	UNDP	74200	Audio Visual&Print Prod Costs	575		
				X	UNDP	74500	Miscellaneous Expenses	125		
				X	UNDP	73100	Rental & Maintenance-Premises	2,500		
							Sub Total 11.2	6,000		
	X	X	X	X	UNCDF	61000	CTA budget line	32,540		
	X	X	X	X	UNCDF	71600	Travel	510		
	X	X	X	X	UNDP	71400	Contractual Services - Individ	2,747		
							Sub Total 11.3	35,797		
Action 11.4: General management support (GMS)	X	X	X	X	UNDP	75100	Facilities & Administration Reimbursement Costs GMS	4,200		
							Sub Total 11.4	4,200		
							Sub-total Activity Result 11:	60,997		
Activity Result 12: Assist FSP to access training and exposure in microfinance best practices										
Action 12: Activity: Assist FSPs to access training and exposure in MF best practices	x	x	x	x	UNCDF	74100	Professional Services	2,000		
							Sub Total 12	2,000		
							Sub-total Activity Result 12:	2,000		
							Total Output 3	96,997		
GRAND TOTAL								812,846		