

**Annual Report**

**2014**

ANNUAL REPORT TO OUTPUT BOARD

January 2015



Annual Output Board Report P1O4

Strengthening Institutional Capacity to Support Sustainable Livelihoods

**1. OVERVIEW**

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| EXPECTED OUTPUT | 1. Increased institutional capacity to promote inclusive rural financial services. 2. Enhanced institutional capacity to create employment opportunities particularly for women and youth. 3. Enhanced institutional capacity to foster entrepreneurship (on farm and off-farm). |
| EXPECTED RESULTS | 1. An in-depth and strategic diagnostic on the state of financial inclusion, analysing demand, supply and regulatory issues. 2. A national financial inclusion roadmap, defining critical steps to accelerate financial inclusion and enabling a programming framework that supports the alignment of donor and investor support through a multi-stakeholder dialogue, and in the spirit of the Paris Declaration on Aid Effectiveness. 3. An online resource for presentation of financial inclusion data on Myanmar that contributes to a database available to the Myanmar and global financial inclusion stakeholder communities. 4. At least 2 new leading micro-finance service providers from Asia Region have been introduced (MicroLead). 5. At least 100,000 net new clients (either savers or borrowers) accessing financial services from the above-supported Greenfield FSPs. 6. Financial Diaries Research is launched and six month data have been produced. 7. Micro-finance operations and ownership transferred to selected financial intermediaries (existing IPs); 8. 1 further vocational training institution’s capacities assessed and strengthened. |
| LOCATIONS | MAP: nationwide; MicroLead & microfinance: selected regions; MFP Transition: Countrywide; Enhanced Institutional Capacity: Amarapura Tsp. |
| 2014 BUDGET | Microlead: $ 2,232,312; MAP: $ 283,168; MF Transition: $ 45,377; Enhanced institutional capacity: $148,345 |

**2. PROGRESS AND RESULTS TO DATE**

1. **National diagnostic of inclusive financial services “Making Access to Finance Possible” (MAP)**

* **Technical Implementation MAP – Diagnostic Report**
* MAP Diagnostic Report and Synthesis Note (English and Myanmar versions) were concluded and circulated among the donors and partners community as well as with Government counterpart.
* **Technical Implementation MAP – Roadmap**
* Financial Inclusion Roadmap (English and Myanmar) versions has been finalized and presented to Government counterpart and other partners.
* **Stakeholder engagement MAP**
* Extensive consultation was held with donors and partners on the Draft Financial Inclusion Roadmap during the month of May 2014. Partners feedback was incorporated into the Roadmap Document prior to National Stakeholder Conference (May 22-23);
* On May 22-23 UNCDF organized “The Second National Conference on Financial Inclusion Towards a Financial Inclusion Roadmap” in Naypyitaw, Myanmar. During this high level conference the findings from the supply and demand Study on Financial Inclusion in Myanmar were presented. The draft Financial Inclusion Roadmap was presented by UNCDF and feedback from stakeholders at the conference was gathered during five break-out sessions (Building the Market, Building Key Institutions, Agriculture, Low-Income, Medium Small and Micro Enterprises).
* Three Steering Committee Meetings were held in 2014 (4th, 5th, and 6th).
* The 6th MAP Steering Committee approved the five Financial Inclusion priority areas for Myanmar: 1) Build key Institutions; 2) Build the market; 3) Agriculture/ Livestock/ Fisheries; 3) Micro & SME; 5) Low Income Level. The SC endorsed the decision to produce an interim document entitled “The framework for National FI Roadmap in Myanmar” which was presented during the ASEAN Meetings in October 2014.
* In October 2014, UNCDF organized a two day ASEAN Financial Inclusion Conference in Yangon which gathered high level representatives from the Myanmar government, from ASEAN countries as well as key development partners and Financial Service Providers working on Financial Inclusion in Myanmar.

1. **MicroLead programme: Expand supply of inclusive financial services through leading regional practitioners of microfinance**

* Performance Based Agreements were signed with three Financial Service Providers. : ASA Ltd., ACCU and Basix.
* The three financial service providers started their operations in the country. ASA and Basix obtained Deposit Taking License from FRD (MOF).
* ACCU operates in Pathein and Bago. Basics operates in Mandalay and ASA operates in Yangon.
* 10,000 clients have been reached as of December 2014 by selected Financial Services Providers.
* **Financial Diaries Research**
* The contract with TNS (Taylor Nelson Sofres) Research Company for Financial Diaries was signed in June 2014.
* TNS started its research work in July 2014 and 5 months of data was analyzed.
* Financial Diaries was launched in July 2014 in Mandalay with a training of the enumerators by Guy Stuart, UNCDF Consultant.

1. **Transition of UNDP’s current retail microfinance portfolio in support of a competitive and effective microfinance sector**

* The UNDP MF project was operationally closed at the end of December 2013 and annual NIM/NGO audit was done in April 2014.
* UNDP MFP project ending and Transition MoU signing ceremony was held on the 4th June 2014 in Nay Pyi Taw, chaired by H.E. U Kyaw Sann, the Union Minister of Co-Operatives.
* The transfer of MF Project funds and assets to existing implementing partners - PGMF, GRET and Save the Children - marks the final exit of UNDP from Microfinance retail and has brought the former UNDP MF project operations under the umbrella of licensed MFIs, regulated under the microfinance law.
* UNDP Micro-finance operations and ownership under Pact implementation were transferred to Pact Global Microfinance Fund, a subsidiary of Pact Inc. at the above ceremony, with an effective dates of assets transfer as per January 1, 2014.
* PGMF has taken over full ownership of its assets and is obliged to manage the total assets in the best interests of its clients and its operations in total 51 townships (UNDP 25 and PGMF 26) as per the Transfer Agreement.
* In compliance with the Transfer Agreement, a “transition oversight committee” has been organized as part of LIFT FI subcommittee for reasons of efficiency and donor coordination to overlook PGMF obligation fulfilment.
* According to the transfer agreement, PGMF will contribute revenue sharing of USD 12 million for the MF sector development initiatives in the course of 5 years period.
* UNDP Micro-finance operations and ownership under GRET implementation were also transferred to GRET by signing Assets Disposition Letter between UNDP and GRET on the 25th September 2014.
* UNDP Micro-finance operations and ownership under Save the Children implementation were also transferred to Save the Children by signing Assets Disposition Letter between UNDP and Save the Children on the 13th October 2014. (Note: Save the Children and GRET were no longer required to submit programme narrative and financial reports to SSID from 1st October 2014).
* UNDP has been conducting the financial closure process which included closing accounts on advance outstanding through refund process from IPs and closing and refunding cost sharing balances of donors. The financial closure process will be completed in 2015 after issuing final CDR in March.
* The operations and financial closure processes as of October 2014 was audited by UNDP Board of Audit in October 2014.

1. **Enhanced institutional capacity to create employment opportunities**

* UNDP and Ministry of Co-Operatives agreed to implement a pilot activity on strengthening institutional capacity of Vocational Training Institutions in Mandalay Region, Ref: CPAP Pillar 1 Output 4 - Activity 4.2. Therefore, UNDP contracted an international consultant to conduct institutional capacity assessment at Saunder Vocational Training Institution in Amarapura Township, Mandalay Region during 21st-31st March 2014. The Institutional Capacity Assessment Report for Saunder Weaving School was finalized in May & June 2014 in English and Myanmar versions incorporating feedbacks from UNDP and UNESCO.
* Key recommendations of the report are:

1. The study recommended **Saunder Weaving School should transform into Weaving Center of Excellence** serves as the country’s core place for modern and up-to-date skills development methods in textiles and weaving and produce graduates of substantial capacity ready to enter various areas of the textile sector which would not be engaging in other type of vocational trainings.
2. The study suggested to conduct **a survey on supply and demand sides** of textile sector in Myanmar to identify market demand for weaving products and skill sets demand from weaving/textile businesses that would help the school in Curriculum Development and Training in line with market demand and NSSA.

* As a follow up UNDP has consulted with SSID on next steps for continued UNDP technical assistance towards establishment of Saunder Weaving Center of Excellence with the development of a comprehensive project document to serve as a reference for the government on implementation and to potentially attract additional partners.

1. **Enhanced institutional capacity to foster entrepreneurship**

* UNDP and SSID agreed to work together and pilot the provision of vocational trainings in support of UNDPs livelihood for social cohesion program targeted 7 States/Regions. Training is being provided via SSID technical team focusing on Sewing, Handicraft, Motorcycle repair, Carpentry, and Food processing in close cooperation with the pillar 01/ output 5 team (Livelihood and Social Cohesion) (Output 5).
* At present, due to funding constraints, activates under “Enhanced institutional capacity to foster entrepreneurship” are limited to micro entrepreneur support as above.

**3. CHALLENGES AND LEARNINGS**

**MAP**

* Bringing together all of the complex aspects relating to financial inclusion into one document has been a challenge.
* UNCDF to raise sufficient funding to enable programming work in Myanmar on activities arising from the diagnostic.
* Coordinating feedback on the Financial Inclusion Roadmap coming from a very wide range of different stakeholders, each of these with different agendas.
* Advocating for International Organizations, Donors and Government to all work within one framework and towards the same goal.
* Ensuring stakeholder buy in for the road map Understanding Government approval processes for the Road Map.

**MicroLead**

* MicroLead started later than anticipated. We are in the process of revising the agreement with LIFT to extend the project through 2017.
* Securing Deposit Taking Licenses for UNCDF sub-grantees: this process took longer than expected resulting in five month delay in the start of the operations for two out of the three FSP.
* Securing match funding for Financial Service Providers.
* Ensuring cooperation with the work on the ground of existing Cooperatives in Bago and Pathein.

**MFP Transition**

* Delayed in UNDP MF project operations and ownership transferred to PGMF for 5 months caused by legal review process at UNDP, LIFT and due diligent process of Government to approved MFP Transition MoU.
* Delayed in UNDP MF project operations and ownership transferred to Save the Children and GRET for a month caused by legal review process from both development partner (LIFT) and Implementing Partners (Save the Children and GRET).

**Institutional Capacity Enhancement**

* The proposed centre of excellence will need both, Technical Assistance (TA) as well as larger financial investment in equipment and infrastructure. Initial discussions with other development partners on interest for engagement did so far not show positive results.
* Therefore, as a next step, UNDP and SSID agreed to develop a comprehensive project document that will serve as a strategic plan and an implementation guidance as well as to attract additional partners.

**4. LOOKING AHEAD FOR 2015**

**MAP**

* 2014-2020 Financial Inclusion Road Map Framework to be approved by the Union Government and President Office;
* Financial Inclusion Action Plan to be developed and implemented by key stakeholders; and
* High-level Steering Committee to coordinate the implementation of the action plan to be set up.

**MicroLead**

* Monitor closely UNCDF sub-grantees performance and provide on-going support;
* Reach out to additional 30,000 clients in 2015;
* 2 Financial Service Providers be on trend to be financially sustainable; and
* Develop knowledge products (such as policy briefs, articles, Financial Service Providers case studies) related to the financial behavior and preferences of poor people, product development, management of financial services, and Greenfield operations.

**Microfinance transition**

* The UNDP MFP project closure will be completed at the end of March 2015 when final Combined Delivery Report is issued;
* Ensure the UNDP MFP Assets and Liabilities Transfer Agreement with PGMF be executed as per plan;
* UNDP is committed to focus its future support to the government at the policy level to deepen financial inclusion in Myanmar; and
* During 2015-2017 period, UNDP will partner with UNCDF in launching a market development facility - Expanding Frontier’s of Access (EFA) project via revenue sharing funding from PGMF.

**Policy Support for inclusive finance**

* UNDP plans to provide secretariats support to the inter-ministerial Steering Committee for its effective and efficient functioning in implementing financial inclusion action plans.

**Institutional Capacity Enhancement**

* A comprehensive project document will be developed which serves as a strategic plan and an implementation guidance to establish Saunder Weaving Centre of Excellence in Amarapura township in Mandalay Region;
* A set of curriculum for Weaving Centre of Excellence will be developed; and
* Policies and procedures on human resources management; financial management; admin and logistics management; and monitoring and evaluation system will be developed; and a Laboratory will be equipped with advanced technology for quality assurance of weaving and textile products.

**5. FINANCIAL PROGRESS (As of December 2014)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Project** | **2014**  **Budget** | **Expenditure as of Dec 2014** | **Percentage utilized** |
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| MAP | 283,168 | 281,368 | 99% |
| MicroLead | 2,232,312 | 1,804,479 | 81% |
| Microfinance Transition | 45,377 | 40,135 | 88% |
| Microfinance Retailing | - | - | - |
| Institutional Capacity Enhancement | 148,345 | 137,606 | 93% |
|
| **Total** | **2,709,202** | **2,263,588** | **84%** |



