UNDP Southern Sudan

Project Document

Project name	Amount
Building an Inclusive Financial Sector in Southern Sudan	$4,000,000.00

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Signature:	Signature:
Date: 09 - 09 - 10	Date: 9/9/2010

MINISTRY OF FINANCE AND ECONOMIC ... H.E The Minister of Finance GOSS. MOFEP

Building an Inclusive Financial Sector in Southern Sudan

United Nations Development Programme (UNDP)
United Nations Capital Development Fund (UNCDF)
Country: Sudan
January 2010 – December 2013

Executive Summary

The mainstream banking sector in Southern Sudan is in its very early stages. Overall, the Southern Sudan microfinance portfolio comprises more than 30,000 clients, with a portfolio of about 12 million SDG and covering seven of the ten states through a network of some 60 outlets. Overall, the regulatory environment is enabling though prudent. In a market and region emerging from years of civil war, enabling has proven to be not enough to facilitate more entrants into the market.

Southern Sudan is entering a dynamic phase in the development of its microfinance sector. There are a range of financial service providers (FSPs) emerging; the regulatory regime is taking shape in a positive direction; and a number of major funders (SSMDF, USAID) are preparing to disburse significant amounts of funding. UNCDF has recently committed US$ 7,287,983 to FSPs through MicroLead to help jump-start the sector. This funding is primarily concentrated, as it should be, on retail FSPs.

The proposed best use of UNDP and UNCDF sector development funding is to focus on gaps not currently covered by SSMDF or the USAID GEMSS programme. The U.N. funding addresses opportunities and constraints as they emerge at the policy, meso [support infrastructure] or retail levels.

To ensure harmonization within the GoSS framework established for supporting the microfinance sector, the GoSS – the Joint Programme will be implemented through the Southern Sudan Microfinance Development Facility (SSMDF). SSMDF was established by the GoSS as a private company limited by guarantee to coordinate donor funding to microfinance. In line with the Paris Declaration on Aid Effectiveness, U.N. country based funding will be through the SSMDF framework. Harmonization of UN funding will be further achieved through Joint Programme Arrangements.

In addition to U.N. support to local FSPs, UNCDF, through its global programme, "LDC Fund for Savings-Led Market Leaders" or "MicroLead" will make available for Southern Sudan additional assistance to the FSPs that qualify for assistance under the global programme. Recognizing the importance of 'market leaders' to drive sector development, UNCDF developed the "MicroLead" Programme to shorten the time poor people in LDCs would need to wait for access to financial services. Based on proven business models market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. With substantial support from the Bill & Melinda Gates Foundation, MicroLead will provide loans and grants to leading microfinance institutions and financial service providers on a competitive basis. Southern Sudan will benefit from USD USD 7,287,983 in MicroLead resources.

The UNDAF calls upon "one UN" interventions to focus on development of diversified, sustainable rural livelihoods and pro-poor financial services, particularly for women, youth and vulnerable groups. In particular, the UNDAF notes that the current baseline number of clients of microfinance services in the South is limited to 11,180 Clients (CBOS) and sets a target during the UNDAF to increase to at least 150,000 active clients. This represents an increase in percentage coverage of potential demand for microfinance services from a baseline in the South of 3% of the total to a target for the South of 25% of total demand. Through an ambitious strategy of combining support to a range of local institutions and market leaders, this programme will target to substantially exceed that target: 240,000 active clients (savers and/or borrowers) by 2012, and reach double that target: more than 300,000 active clients (savers and/or borrowers) by 2013.

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United Nations Development Programme (UNDP)
United Nations Capital Development Fund (UNCDF)
Country: Sudan

Joint Programme Document

JOINT PROGRAMME TITLE:	Building Inclusive Financial Sectors in Southern Sudan (BIFSSS)
UNDAF OUTCOMES:	
EXPECTED OUTCOMES:	By 2013, poverty, especially among vulnerable groups, is reduced and equitable economic growth is increased through improvements in access to financial services
EXPECTED OUTPUTS:	Increased Access to Financial Services by Poor and Low-income People

Programme Period:	January 2010 – December 2013
Key Result Area (Strategic Plan):	Inclusive Financial Sector Development; Private Sector Development
Atlas Award ID:	____________
Start date:	January 2010
End Date	December 2013
PAC Meeting Date	____________
Management Arrangements	Fund Management Option: Combination Parallel/Pass through Managing or Administrative Agent: UNDP

2010-2013 AWPs Budget

Total Funding Required: USD 4,000,000

Total Allocated Resources:
1. UNCDF: USD 1 M
2. UNDP: USD 1 M

Unfunded Budget*: USD 2 M
UNDP: USD 1 M
UNCDF: USD 1M

*Total Unfunded Budget also includes the total AOS (of 7%), which has been split between UNDP and UNCDF

United Nations Agencies	**National Coordinating Authorities**
David Morrison *Signature:* *Executive Secretary, UNCDF* *Date & Seal*	H.E. Minister Mr. Stephen Dhieu Signature: Ministry of Commerce and Industry Government of Southern Sudan *Date & Seal*
Mr. Joe Feeney Signature: Head of Office -- Deputy Country Director UNDP, Juba, Sudan *Date & Seal*	H.E. Minister Mr. David Deng Atorbei Signature: Minister of Finance and Economic Planning Government of Southern Sudan *Date & Seal*

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Acronyms:

AFI:	Alliance for Financial Inclusion
BIFSSS:	Building Inclusive Financial Sectors in Southern Sudan
BoSS:	Bank of Southern Sudan
CPA:	Comprehensive Peace Agreement
CGAP:	Consultative Group to Assist the Poor
FSPs:	Financial Service Providers
GEMSS:	Generating Economic Development through Microfinance in Southern Sudan [USAID]
GoSS:	Government of Southern Sudan
MCIF:	Management Committee for Inclusive Finance
MoCTS	Ministry of Commerce Trade and Supply
MoFEP	Ministry of Finance and Economic Planning
MDTF:	Multi-Donor Trust Fund
SPLM:	Sudan Peoples Liberation Movement
SSMDF:	Southern Sudan Microfinance Development Facility
UNCDF:	United Nations Capital Development Fund
UNDP:	United Nations Development Programme
USAID:	United States Agency for International Development

Z. S.

Table of Contents

Z.S.

I. A. Situation Analysis

This programme will contribute to UNDAF Outcome 3: Livelihoods and Productive Sectors: By 201[3], poverty, especially among vulnerable groups, is reduced and equitable economic growth is increased through improvements in livelihoods, decent employment opportunities, food security, sustainable natural resource management, and self-reliance. In terms of priorities, from the Government of Southern Sudan [GoSS] Budget Sector Plans, the programme will contribute to improving the livelihoods and income by accelerating equitable, sustainable economic development, with clear roles for the public and private sectors. Of the five sub-Outcomes, this programme will contribute directly to:

Sub-Outcome 1	More rural households, including women-headed households, are decently employed with increased sustainable agricultural productivity and diversification
Sub-Outcome 2	Individuals and communities, especially youth and vulnerable groups including ex-combatants, mine victims, WAAFG and CAAFG, have access to improved income generation opportunities and employment through decent work
Sub-Outcome 5	A more equitable, competitive and socially responsible private sector is in place

The UNDAF notes that while economic growth is critically important for Sudan, it is the *pattern* of such growth that will determine its sustainability. Growth has been heavily concentrated in oil and mining, benefiting primarily the central states around Khartoum, while development of Sudan's productive sectors – agriculture, industry and livestock – and the livelihoods these sectors support faces a range of obstacles. Yet the more widely are the fruits of development and service delivery distributed, especially to the poor, the greater the likelihood of ensuring human security – thereby consolidating peace and stability.

Unemployment is very high. Although data gaps are substantial, it is believed that 80 percent of those who are economically active are involved in the informal economy, and about half of these are poor. Women play a major but often under-recognized role in livelihoods and the economy. Because of the migration of men for work and heavy fatalities caused by war, many women now are heads of households. In the formal sector, manufacturing is weakly diversified; nearly all manufacturing enterprises are small and concentrated in the North.

The high proportion of youth represents an opportunity to harness vast human capital for development – but young people also face numerous vulnerabilities, especially in the South, where many received little education during the war and face a return to destruction if frustrated by the lack of livelihood opportunities. Other vulnerable groups – particularly former combatants, mine victims and WAAFG – also require significant support to ensure better access to gainful and sustainable employment. In Sudan, all this manifests in the need to increase employment among youth, women and other vulnerable populations and strengthen the private sector, particularly the industrial sector, to reduce overdependence on oil and mining.

A.1. Formal Financial Sector

The mainstream banking sector in Southern Sudan is in its very early stages, financial services provided by these banks include current accounts, savings, money transfers, and some credit on a very limited basis. On April 25, 2007, the Bank of South Sudan ordered all Islamic system banks to convert to conventional banking or leave, comprehensive peace agreement signed in January 2005 whereby the agreement states that the south will have its own conventional banking system, in parallel with the Islamic banking system operating in the mainly Muslim north. Overall, the formal financial sector is providing very limited services with very limited banking channels such as branch networks, ATM machines, and POS devices. And these few services are often triple or quadruple the price for equivalent services in neighboring Uganda or Kenya. The recent issues surrounding Nile Commercial Bank, with many small holders as well as development organizations awaiting restitution could have a potentially

Z. S.

negative effect on the Southern Sudanese population attitude toward the safety of the banking system, and placing their savings within it.

A.2. Microfinance Sector

Overall, the Southern Sudan microfinance portfolio comprises more than 30,000 clients, with a portfolio of about 12 million SDG and covering 7 of the 10 states through a network of some 60 outlets. 3 states namely: Western Bahr Ghazal, Warrap and Unity have none or insignificant access to microfinance services. The retail microfinance sector has 3 main institutions which are BRAC Sudan, Sudan Microfinance Institution (SUMI) and Finance Sudan. BRAC Sudan started in March 2007 and now operates 6 branches in 5 states with over 11,000 clients. SUMI started in 2003 and has 5 branches and 11 outlets in 3 states with over 8,000 clients. Finance Sudan has 2 branches in 2 states with just over 1,000 clients. The institutions are mainly offering working capital loans to micro and small entrepreneurs as well as salary loans charging interest ranging from 20 to 40%. There are a number of smaller but emerging organisations and initiatives offering a variety of financial services which include working capital loans to self help groups. The organisations include Jalia Savings and Credit Cooperative (JASCO); AMUT; SAVANNAH Farmers Cooperative; Community Development Services (CDS); Bahr Ghazal Youth Development Association (BYDA); ACORD; ACROSS; Catholic Relief Services (CRS) and PITA women association for Development.

With few formal financial services in Southern Sudan, the population looks to informal mechanisms for gaining access to credit or savings. The Sanduk System, often referred to as rotating savings and credit associations (ROSCAS), is relatively well known and practiced. Most prevalent in the markets of Juba is the system whereby credit is extended through merchandise. Traders collect the merchandise from the supplier and payment is made at a future date. Finally, local moneylenders provide loans at generally high rates of interest, reported to reach as high as 50%-100% flat per month. While these sources provide some capital to Southern Sudanese, the poor state of the financial sector means that little excess funds are available, and if so, only at exorbitant rates.

The Southern Sudan Microfinance Forum was formed in May 2006 by SUMI, Finance Sudan and CHF International in order to bring together all stakeholders in the industry. The forum aims to build a professional microfinance industry in Southern Sudan, to give sector guidance as it becomes firmly integrated into the formal financial sector and to facilitate capacity building of all stakeholders. Regulations on microfinance operations are yet to be streamlined.

There are a number of apex organizations that have been initiated with the support of the international community to provide funds for loans and capacity building support to microfinance institutions in Southern Sudan. The institutions include Southern Sudan Microfinance Development Facility (SSMDF) a USD 6.9 million facility funded by the Multi-Donor Trust Fund [MDTF] and managed by Frankfurt School; and USAID has recently launched a USD10 million facility (GEMSS) for loans and capacity building.

A.3. Regulatory Framework

The Bank of Southern Sudan (BoSS) was established on 1st February, 2006 pursuant to the provisions of the Wealth Sharing Protocol concluded between the government of Sudan and the Sudan People's Liberation Movement (SPLM) in Naivasha, Kenya. In addition, the conclusion of the Comprehensive Peace Agreement (CPA) entered into in January 2005 also created a conducive environment for the financial sector. It was then agreed that a dual banking system be introduced in Sudan i.e. an Islamic banking system in Northern Sudan and a conventional banking system in Southern Sudan. The BoSS was to be established as a branch of the Central Bank of Sudan headed by a Deputy Governor of the Central Bank of Sudan to manage the conventional window using the conventional financing instruments in implementing the same national monetary policy in Southern Sudan. BoSS was to be further responsible for licensing and supervising financial institutions in Southern Sudan. In order to conform with the Wealth Sharing Protocol, the Bank of Sudan Act, 2002 was amended in 2005 to cater for the duality of the banking system. BoSS has its head quarters in Juba and sub-branches in the towns of Malakal, Yei and Wau.

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The regulatory framework to receive a commercial banking license has proven to be a relatively significant barrier to entry particularly with regards to the minimum capital requirement of USD 15 million. Though it is payable in three annual instalments of USD 5 million, it has proven to be at a level where many commercial banks are hesitant to commit those kinds of funds until the political and economic situations are more stable and the future of South Sudan more predictable. To date, the only new entrants to be granted a license are Kenya Commercial Bank and Equity Bank – Sudan.

With the difficulty in attracting commercial banks to the market, BoSS has embarked on a strategy to license microfinance institutions. To date, the four main MFIs namely BRAC, SUMI, Finance Sudan and Savannah are licensed by the Bank of Southern Sudan (BoSS) within the bill of conditions stipulated for licensing microfinance Banks for 2006 in accordance to the 2003 Act regulating Banking business. The paid up capital requirement and license fees are significantly reduced for Southern Sudan Microfinance Institutions to encourage new entrants. The licensed MFIs however are under non-prudential regulations as they are not allowed to take deposits. The only reporting requirements by the BOSS are the monthly and quarterly reporting under the funding contracts with SUMI, BRAC, Finance Sudan and Savannah. In a bid to fast track the microfinance regulatory environment BoSS has established a microfinance unit and has hired a policy adviser.

Overall, the regulatory environment is enabling though prudent. In a market and region emerging from years of civil war, enabling has proven to be not enough to facilitate more entrants into the market.

I.B. Strategy

B.1. Background

World leaders have pledged to "make poverty history." The Millennium Development Goals (MDGs) set globally adopted targets for reducing extreme poverty by half by 2015. For over two billion people in the world who live on less than $2 per day,[1] access to financial products and services can directly provide the tools to protect, diversify and increase their sources of income and make their own economic decisions for the path out of poverty. The level of outreach by the financial sector also correlates strongly with the level of financial, institutional and infrastructure development across countries. Studies have shown that greater levels of financial outreach are tied to higher levels in standard economic development indicators.[2]

The vision that guides this Joint Programme comes from the UN 'Blue Book' on Building Inclusive Financial Sectors. An inclusive financial sector is defined as a financial sector that offers a range of financial services to the entire active population of a country. An inclusive financial sector is characterized by[3]:

- Access by all bankable households, including women, and enterprises to a full range of financial services at a reasonable cost, including savings, short and long-term credit, mortgages, insurance, pensions, payments, local money transfers, international remittances, leasing and factoring;
- Soundness of institutions, which is maintained through performance monitoring by stakeholders and, where required, sound prudential regulation;
- Financial and institutional sustainability as a means of providing access to financial services over time;
- Multiple providers of financial services, wherever feasible, to bring cost-effective alternatives to customers, including sound private, non-profit and public providers.

To realize the vision of financial inclusion, financial services for poor and low-income people and micro and small enterprises should be seen as a central and integral component of the financial sector. This sector should include

[1] World Bank data (2004) estimates that 2.8 billion people in the world live on less than $2/day. [data used in the MDG indicators]

[2] Beck, Thorsten, Asli Demirguc-Kunt & Maria Soledad Martinez Peria, "Reaching out: Access to and use of banking services across countries," World Bank, September 2005.

[3] See "Building Inclusive Financial Sectors for Development" (2006) the 'Blue Book' UNCDF and UNDESA, http://www.uncdf.org/english/microfinance/pubs/bluebook/

Z.S.

a continuum of financial institutions, each with its own comparative advantages, and each presenting the market with an emerging business opportunity.

B.2. Lessons Learned

Despite positive developments in the area of financial inclusion during the past ten years, many poor and low-income people and micro and small enterprises still lack access to a broad range of financial products and services on a sustainable basis. Currently, over 3 billion people around the world live without access to financial services, and this is especially so in post-conflict countries.
Key bottlenecks to access to finance include:

- Lack of vision and commitment by policymakers to include the development of inclusive financial sectors as part of their development agenda;[4]
- Lack of enabling policy, legal, and regulatory environments to facilitate and remove constraints to greater access;
- Lack of appropriate financial services infrastructure to support financial transactions and increased access to financial products at retail level;
- Lack of strong institutions providing a broad range of financial services to serve large numbers of people on a sustainable basis; and
- Limited engagement of the private sector in expanding access to financial services and developing new financial products and services that serve poor and low-income people and micro and small enterprises.

Recent experience in post-conflict settings underlines the importance of ensuring:

- a critical mass (USD 5M) of funding is available from the start;
- market leading institutions begin operations as early as possible;
- a sector development approach can be applied from the outset and lead to greater efficiency in donor funding, as per the Paris Declaration on Aid Effectiveness.

A range of options to contribute to the vision of inclusive finance were considered based on opportunities and constraints articulated by stakeholders and reviewed against current and planned activities by other actors [see Annex 1, gap analysis]. The suggested interventions, focused on filling gaps not covered by others, are noted in the next section 'Country Strategy'.

B.3. Country Strategy

Southern Sudan is entering a dynamic phase in the development of its microfinance sector. There are a range of financial service providers (FSPs) emerging; the regulatory regime is taking shape in a positive direction; and a number of major funders (SSMDF, USAID) are preparing to disburse significant amounts of funding. UNCDF has recently committed US$ 7,287,983 to FSPs through MicroLead to help jump-start the sector. This funding is primarily concentrated, as it should be, on retail FSPs.

The proposed best use of UNDP and UNCDF sector development funding is to focus on gaps (see Annex 1) not currently covered by SSMDF or the USAID GEMSS programme. The U.N. funding address opportunities and constraints as they emerge at the following levels:

I. Policy (Vision statement, national strategy, coordination of funding/monitoring sector wide performance against targets, regulatory and supervisory, business environment)
II. Meso (support infrastructure: training, audit, rating, credit reference, cel infrastructure, Association of MFIs, funding apexes)
III. Retail FSP (Commercial banks, non-bank financial institutions, NGO-MFIs, credit unions, cooperatives, village savings and loan associations)
IV. Client: financial literacy, training for managing a business/accounts

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[4] UNCDF & UNDESA, *Blue Book on Building Inclusive Financial Sectors for Development*, May 2006 and CGAP, *Access for All: Building Inclusive Financial Systems*, 2006.

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To ensure harmonization within the GoSS framework established for supporting the microfinance sector, the GOSS – the Joint Programme will be implemented through the Southern Sudan Microfinance Development Facility (SSMDF). SSMDF was established by the Government of Southern Sudan [GoSS] as a private company limited by guarantee to coordinate donor funding to microfinance. In line with the Paris Declaration on Aid Effectiveness, U.N. country based funding will be through the SSMDF framework.[5] The SSMDF is governed by a board that includes the key ministries responsible for inclusive finance in Southern Sudan (MoCI, BoSS, MoFEP) and external representatives that provide a global and regional perspective on developing inclusive financial sectors. UNCDF and UNDP, while not initially directly taking voting seats on the Board of SSMDF, will provide their input via these private sector representatives.

The key opportunities and constraints to be addressed are noted below, based on consultations in 2008 and 2009, so that the programme could start with the most important issues. The gap analysis of constraints and other actors support is noted in Annex 1.

The UNDAF calls upon "one UN" interventions to focus on development of diversified, sustainable rural livelihoods and pro-poor financial services, particularly for women, youth and vulnerable groups. In particular, the UNDAF notes that the current baseline number of clients of microfinance services in the South is limited to 11,180 Clients (CBOS) and sets a target during the UNDAF to increase to at least 150,000 active clients. This represents an increase in percentage coverage of potential demand for microfinance services from a baseline in the South of 3% of the total to a target for the South of 25% of total demand. Through an ambitious strategy of combining support to a range of local institutions and market leaders, this programme will target to substantially exceed that target: 240,000 active clients (savers and/or borrowers) by 2012, and reach double that target: more than 300,000 active clients (savers and/or borrowers) by 2013.

B.3.1 Policy/Macro Level

I. Sending a critical mass of the staff of responsible Ministries (BOSS, Ministry of Commerce, Ministry of Finance and Planning, Microfinance industry leaders) to the Boulder Microfinance training in Turin, Italy starting in July/August 2009, and continuing through the period of the programme. This group will collectively play a leading role in guiding sector development and, for the Ministry staff, be better positioned to advise their Ministers on key policy and funding decisions. SSMDF will receive nominations from relevant Ministries by February each year, so that the nominees direct responsibilities for microfinance can be confirmed, and the nomination list finalized prior to the opening of registrations

II. Facilitating BOSS participation in the Alliance for Financial Inclusion (AFI, http://www.afi-global.org/), including the inaugural meeting in September 2009.[6]

III. Engaging the CGAP (www.cgap.org) policy cadre or its equivalent to provide guidance to BOSS in preparing draft regulations for the microfinance industry.

B.3.2. Meso Level

I. **Rating of FSPs:** External rating of FSPs will serve to accomplish several objectives related to capacity assessment and increased transparency:
   - Assist to identify common weaknesses that need strengthening across FSPs that would justify industry-wide training activities. FSPs that wished to access industry wide training or scholarships would need to be externally rated[7]. Initial ratings would be the property of the

[5] Although endorsed by GOSS and coordinated with SMDF/Frankfort School, the MicroLead funding was programmed prior to the formal establishment of SSMDF. However, to ensure harmonization, UNCDF will share quarterly reporting from all FSPs supported under MicroLead with SSMDF, and UNCDF will task the SSMDF technical staff with monitoring performance problems locally, as needed.

[6] With support of a US$20 million grant from the Bill & Melinda Gates Foundation, GTZ is supporting Central Banks from developing countries to share lessons from policies to bring financial inclusion.

[7] SSMDF technical secretariat may exempt smaller MFIs or community groups where a rating would be premature.

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FSP, and shared with SSMDF technical secretariat on a non-disclosure basis. For initial ratings the FSP would control the decision on external release or posting on the MIX Market (www.themixmarket.org) ;

- Identify FSP specific weaknesses that FSPs could utilize to refocus their business plans and could be addressed through training or technical assistance;
- Establish a baseline of FSP institutional capacity that, when compared to final ratings in 2013, would provide a measure of the impact of SSMDF and GEMSS capacity building assistance;
- Increase transparency among the industry and thus external investment by the socially motivated equity investors. FSPs would be encouraged to post their second (2013) rating on the MIX Market to achieve '5 diamonds'.

II. **Support to the Audit Industry:** At present, FSPs are receiving their audits from audit firms based in Kenya and Uganda. Because of the importance of credible audits for the development of a transparent sector, this reliance will need to continue for the short-term. The Joint Programme's strategy will be the following:
    - Regional and Local auditors will be mapped, and invited to participate in a training/certification process to carry out audits according to CGAP standards;
    - All FSPs funded by SSMDF must provide annually audited financial statements to SSMDF;
    - Only audits from certified firms will be accepted;
    - Audit firms will be informed that inclusion of Southern Sudanese on their audit teams will be a selection criteria, including the firms plan for building local capacity.

III. **Next Generation Technologies for Access to Finance:** A range of technologies are being deployed to lower the transaction costs of microfinance and to further push the frontiers of access. M-banking[8] is emerging in a number of countries as a potential means to lower transaction costs, and potentially broaden access based on cell coverage. As the cell phone infrastructure in the country expands, the fund could launch a request for proposals for limited funding for innovative pilots to serve the lower segments of the market. Successful pilots could then apply to the global competition managed by CGAP.

B.3.3. Retail Level

I. **Young, promising local FSPs:** the UN will make available through the SSMDF additional grant funding dedicated to young, promising local MFIs to support their growth plans. This funding will be flexible and tailored to the needs of each institution. The Frankfurt School team of SSMDF has pledged their intention to provide technical assistance to these MFIs. UNCDF and UNDP will make available to Southern Sudan stakeholders the lessons learned and the tools and instruments from the successful global, twenty country MicroStart Programme. The MicroStart rogramme has a proven track record in assisting young, promising MFIs to achieve sustainability. Of the MFIs assisted under the Programme, 69% achieved sustainability. A key lesson was the importance of distinguishing between 'young and promising' and 'young and weak'. UNCDF found that it was not successful in transforming 'young and weak' institutions into sustainable ones. In only a few cases (20% of the countries), the MFIs have grown over a period of ten years to become market leaders in microfinance[9].
The Frankfurt School technical assistance team has reviewed the applications made from the eight (8) local MFIs that were not selected in the first round of the SSMDF 'business plan competition' and believes there are a few that have potential. The Frankfurt School team has noted their intention and commitment to assist these MFIs. This is critical, as UNCDF found that the intensive technical assistance on-site was the most important element in MicroStart's success.

[8] See "Banking on Mobiles: How, When, For Whom?", CGAP, 2008 http://www.cgap.org/gm/document-1.9.4400/FN_48%20ENG_9-10-08.pdf

[9] These lessons learned were attached to the concept note circulated among stakeholders as part of the process of preparing this document, although not attached here for brevity.

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Also important is flexible, grant funding. Initial grant funding of USD 150,000 to USD 300,000, tranched in annual payments of USD 30,000 to USD 50,000 around performance based agreements was a key element of success. MFIs had their capacity built to provide monthly and quarterly reporting, and management trained in how to use the reporting for management purposes. The planned assistance from the SSMDF could be reviewed to see if the proposed structure of grant funding is designed to meet the needs of these local MFIs.

II. **Community-based groups:** FSPs funded by SSMDF may identify at the frontiers of their planned expansion community based groups who could be trained as village savings and loans (VSLs) to self-manage community financing facilities, or be linked to the parent FSP. FSPs may apply to SSMDF for funding to provide technical assistance, and capacity building to support the development of these VSLs[10]. The FSPs would report to SSMDF on the performance of these groups separately from their core operations.

III. **MicroLead:** In addition to this proposed support to local FSPs, UNCDF, through its global Programme, "LDC Fund for Savings-Led Market Leaders" or "MicroLead" will make available for Southern Sudan additional assistance to the FSPs that could qualify for assistance under the global programme. Recognizing the importance of 'market leaders' to drive sector development, UNCDF developed the "MicroLead" Programme to shorten the time poor people in LDCs would need to wait for access to financial services. Based on proven business models market leaders can rapidly scale-up their own operations offering a variety of products and services while accelerating the pace of sector development. With substantial support (USD19.9 million) from the Bill & Melinda Gates Foundation, MicroLead will provide loans and grants to leading microfinance institutions and financial service providers on a competitive basis. Southern Sudan will benefit from USD 7,287,983 in funding from this global programme. UNCDF would finalize the performance-based agreement with the respective Financial Service Provider, and ensure FSP reporting is shared with SSMDF to harmonize monitoring of sector development.

MicroLead was recently reviewed by CGAP as part of UNCDF's participation in SMART Aid[11], designed to improve aid effectiveness. CGAP noted that: "The recent MicroLead Facility is an excellent use of UNCDF's core expertise and flexible instruments. The facility provides incentives for financial service providers from the South to expand to the poorest and post-conflict LDCs consistent with UNCDF's strategy. The new facility, MicroLead, exemplifies the best of UNCDF, building on its core strengths while innovating through partnerships with strong Southern providers and an emphasis on savings."

IV. **Technical Assistance:** The current SSMDF contract with Frankfurt School is for a period of two years only. While this could be sufficient time to build local capacity to manage the SSMDF, it is not sufficient time to transfer twenty plus years of best practice experience in the technical aspects of microfinance. In young markets, new to microfinance such as Southern Sudan, continued access to international technical assistance in microfinance will be needed throughout the period of this Programme. This Programme will make available funding for both:

- Additional SSMDF staffing that will be needed to manage the activities outlined in this strategy, starting in 2010.
- Funding for resident international technical assistance within SSMDF beyond the current Frankfort School's contract., focused on providing technical assistance to the sector;
- Short-term international consultancies in areas of specialized expertise.

B.3.4. Client Level

Financial Literacy and Business Training: In rural areas, potential clients may not have experience with formal financial institutions and the range of products and services they provide. As clients of MFIs start to grow their business, they could benefit from training to improve their businesses. The range of global experiences (Global Financial Education Programme[12], UNDP/ANZ in Fiji, Freedom from Hunger's

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[10] Work in this area will build on best practice, as captured by CGAP, and others, see: http://www.cgap.org/p/site/c/template.rc/1.9.2577/

[11] See

[12] A partnership between Microfinance Opportunities and Freedom from Hunger, See http://www.globalfinancialed.org/index.html

Z.S.

Lifeskills Training[13], etc.) could be explored to develop options that could be tailored and best suited for Southern Sudan. This would include exploring the range and mix of options for providing services to clients (translation of existing material that MFIs could utilize themselves, or other service providers to incorporate into their current (non-finance) programming. Recent experience in East Africa could provide a base to expand upon. For example, in Kenya, the initial module development partner for the Global Financial Education Programme was Equity Bank. In Uganda, the Uganda country training of trainer (TOT) participants in the Global Financial Education Programme included a range of twenty four (24) Ugandan institutions[14].

The GEMSS project will make the area of business development services (BDS) a key focus of their programme, and thus U.N funding through SSMDF will avoid activities in this area. Given the broad need for financial literacy in Southern Sudan, FSPs will be allowed to include funding for financial literacy in their proposals to SSMDF. The range of solutions that have proven successful globally and in East Africa will be reviewed to develop a tailored solution that fits Southern Sudan.

B.4. Partnership Strategy:

The Programme is a joint partnership between the Government of Southern Sudan, UNDP and UNCDF, along with other participating donor agencies working towards the development of an inclusive financial sector in . To ensure optimum programme results, UNCDF will apply its global experience in inclusive finance as executing agency for its own resources.

UNDP will mobilize its global network of expertise and significant national experience in poverty reduction to facilitate strategic partnerships with ongoing programmes in Southern Sudan. Because of its important role in the development of a national capacity in the development planning process, UNDP is well positioned to ensure the relevance of the proposed project to the national priorities, and to ensure linkage with the UNDAF.

UNCDF aims to leverage U.N. resources, and through strong technical design, provide a framework where other funders could support, bringing additional resources to country programmes. UNCDF is not a donor, per se, but aims to use its capital in a catalytic manner. UNDP has a strong track record in mobilizing funds in Southern Sudan. Both UNDP and UNCDF will develop a resource mobilization strategy to close the current budget gap.

Broad-based partnerships will be developed at the national level: To ensure harmonization within the GoSS framework, the Joint Programme will be implemented through the Southern Sudan Microfinance Development Facility (SSMDF) as per the Paris Declaration on Aid Effectiveness. The SSMDF is governed by a board that includes the key ministries responsible for inclusive finance in Southern Sudan (MoCI, BoSS, MoFEP) and external representatives such as World Bank, and others that provide a global and regional perspective on developing inclusive financial sectors.

The programme has also developed a close working relationship with the USAID supported GEMSS programme, a US$ 10 million plan of support to the microfinance sector. The gap analysis reflecting key sector constraints, required actions, and the coordination to avoid duplication among partners supporting these actions is reflected in Annex 1.

B.5. Sustainability of Results

Global experience in microfinance is that FSPs can become financially sustainable within a period of five to seven years. The Programme will target, through performance based agreements (PBAs), that all of the FSPs supported under this Programme are on a path to sustainability within the 5 to 7 year time-frame. For some of the stronger FSPs, they may achieve this milestone within the Programme period (2013).

[13] See http://www.ffhtechnical.org/services/folder.2006-07-06.6878665770/lifeskills-training or http://www.ffhtechnical.org/services/folder.2006-07-06.6878665770/folder.2006-07-06.7671442787/folder.2006-07-06.9393538027/education-modules

[14] See http://www.globalfinancialed.org/partners.html

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It is suggested that the focus and mandate of the SSMDF be reviewed by its board every five years to ensure that its activities continue to remain focused on the issues that require continued donor subsidy.

B.6. Gender Mainstreaming

Numerous impact studies document that the ability to borrow, save, and earn income enhances poor women's confidence, enabling them to better confront systemic gender inequities. This Programme will ensure equal participation of both female and male in all activities by the standard UNCDF requirement that at least 50% of clients are women. These targets will be reflected in all performance based grant agreements with FSPs. Gender disaggregated data will be collected to monitor the programme progress at the micro and meso level.

II. Results & Resource Framework (See Annex 3)

Summary of Key Results: Policy, Meso, Retail

Policy Level	**Baseline**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Training of Policy-Makers (Boulder, etc.)	0	6	10	5	4		25
Short-Term Policy Consultants (CGAP)	0	1			1		2
Meso: Support Infrastructure	**Baseline**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
# FSPs reporting on the MIX	2	2	4	4	5	6	6
Auditors Trained/Certified CGAP standards	0	0	4	0	0	0	4
FSPs with CGAP certified audits	0	0	0	4	5	6	7
Ratings of FSPs	0	1	4	1		6	12
Retail: FSPs							
Active Client Outreach: [Savers or Borrowers]	**Baseline**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Subtotal MicroLead	14,903	38,627	99,363	173,100	234,500	298,076	298,076
Subtotal Young Promising or Community-based	250	600	2,150	4,200	7,250	10,300	10,300
TOTAL # of Active Clients	15,153	39,227	101,513	177,300	241,750	308,376	308,376
Number Women	6,061	19,614	50,757	88,650	120,875	154,188	154,188

III. Work Plan & Budget (See Annex 3)

1. **Annual Work Plan & Budget 2010**
2. **Annual Work Plan & Budget 2011**
3. **Annual Work Plan & Budget 2012**
4. **Annual Work Plan & Budget 2013**

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IV.Management Arrangements

1. Management Structure

UNCDF and UNDP shall be responsible for directly executing this Programme. In line with DIM ~~DEX~~ modality, UNDP will provide direct implementation under the overall leadership of the MoCI and technical oversight of the UNCDF. Key characteristics of the implementing agent include: 1] ability and capacity to start-up programme activities in early 2010 in order to meet programme results; 2] operational capacity to provide financial and programme reporting; 3] legal registration/authority to operate in Southern Sudan. The implementing agent for the Programme will be the Southern Sudan Microfinance Facility (SSMDF), and has been registered by the GoSS as a private company limited by guarantee under the laws of the new Sudan, chapter 4 of the new Sudan companies act, 2003. UNCDF will sign a performance based agreement with annual results based on the targets of this programme document. UNCDF will release tranches of funds based on SSMDF meeting these performance and reporting targets.

SSMDF will be governed by a Board of Directors. The Board will autonomously manage the SSMDF on behalf of BOSS, the GOSS Ministry of Commerce and the MDTF. The Board will be responsible for providing the SSMDF with policy direction in accordance with the objectives of the facility as agreed with BoSS, MCI and MDTF at the time of its establishment. The Board will autonomously approve the strategy, work plan, contracts, agreements, and any other instruments or decision necessary for the effective management of the facility. If the organization winds up, dissolution of the assets will be carried out in a way that benefits the microfinance sector and not necessarily the directors, government, or donors.

As per the memorandum and articles of incorporation of the SSMDF, the SSMDF shall be governed by a board of directors, comprised of:

- Three (3) representing the public sector
- Two representatives from the private sector
- Two representatives from the civil society
- One ex-officio (non-voting) donor representative

Although the U.N. will not initially participate on the Board directly, SSMDF will establish mechanisms for those funders not directly serving on the Board to share their key concerns and suggestions prior to board meetings. UNCDF and UNDP shall be free to participate as observers in any Board meeting. Initially, UNCDF and UNDP shall provide their guidance, if any, through any of Board members available. The U.N. may periodically review whether to take full membership on the Board, and make a formal request to SSMDF to join.

The Frankfurt School of Finance & Management (FS) has been contracted by the BOSS and the Private Sector Development Project, under the Ministry of Commerce, to establish and manage the SSMDF for a period of two (2) years. Over the two years, FS will train local counterparts for eventual replacement of the FS international staff. This programme will make available funding for international technical assistance to support SSMDF to ensure the technical quality of SSMDF's support to the sector, and continue building the technical capacity of SSMDF staff.

Proposed Management Structure

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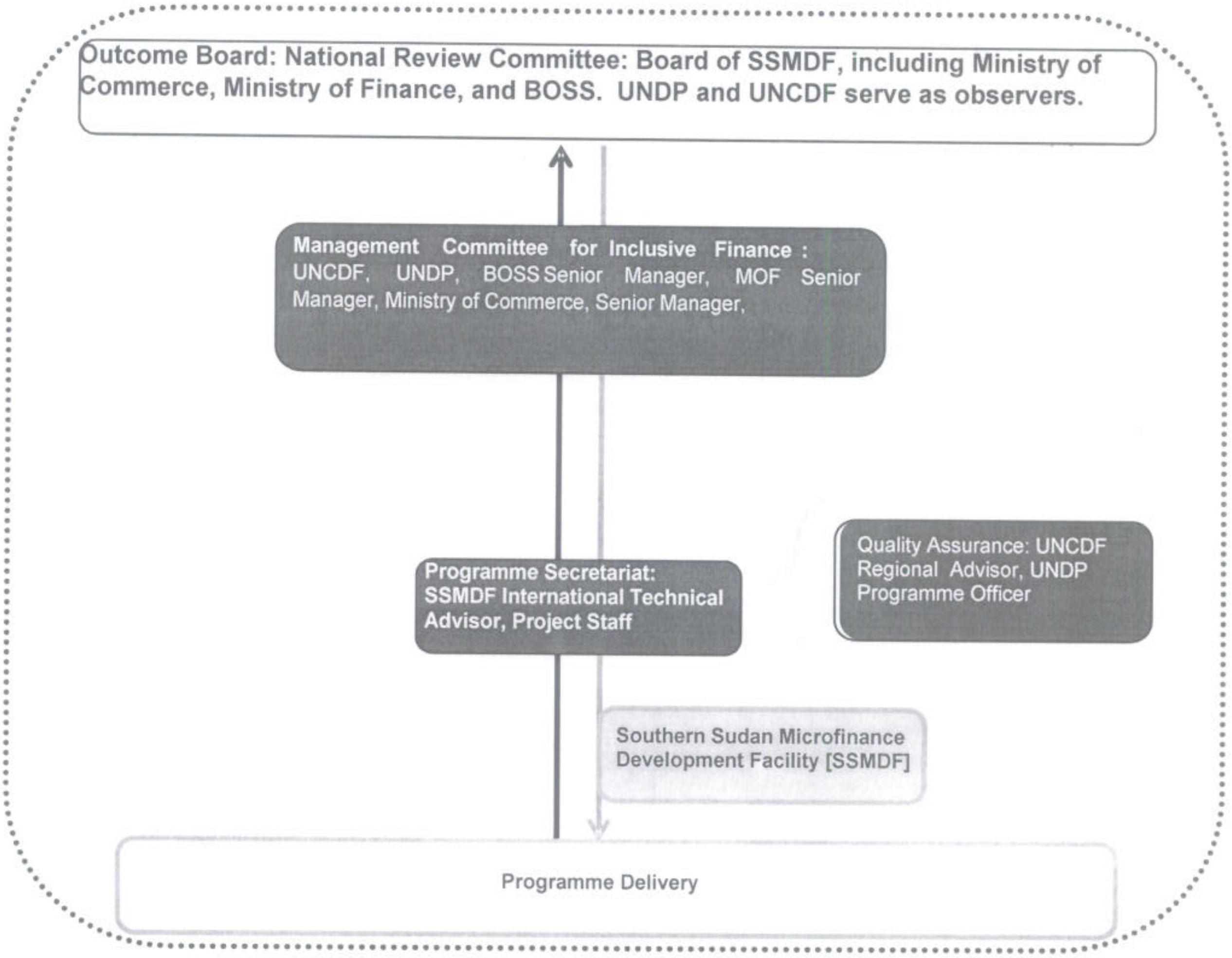

Roles and Responsibilities of Programme Partners

The Technical Unit led by the International Country Technical Advisor (CTA) along with SSMDF staff will form the ***Secretariat*** for the Joint Programme as indicated above in the Management Structure. The Technical Unit will be responsible for: 1] organizing requests for applications from FSPs; 2] preparing performance based agreements with FSPs selected for funding; 3] ensuring that FSPs can produce required reporting as per Annex 2, or building the capacity of those FSPs selected for funding that do not have this capacity; 4] organizing technical assistance to meet the programme's objectives at policy, meso and retail level; 4] and ensuring on-time reporting [quarterly and annual].

UNCDF will provide technical oversight via the Regional Advisor for Inclusive Finance who will monitor the programme via the quarterly and annual reports provided by the FSPs and SSMDF, and missions to Southern Sudan to discuss key issues with stakeholders. UNCDF has a strong background in utilizing performance based agreements to achieve results in microfinance. UNCDF will financially manage its financial contributions to the programme via Atlas through its regional infrastructure and the contributions via MicroLead from headquarters [global programme budget]. The UNCDF Regional Technical Adviser will provide project assurance to the Programme, with support from the UNDP Programme Officer from the Poverty Reduction and MDG Unit.

As a Secretariat to the Programme, the SSMDF will be guided by the Programme's Management Committee on Inclusive Finance (MCIF) and will seek feedback from a broader base of stakeholders, i.e. the Board of the SSMDF that will serve the function of the Outcome Board for this project. The Secretariat will consult MCIF on policy issues and overall programme management as well as on fund disbursement, while remaining accountable

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for outputs within the Programme's mandate. UNCDF shall also maintain close consultation with UNDP. The administration of this Programme shall be governed by UNDP rules and regulations, which UNCDF also adopts, as defined in the UNDP Programming Manual within the policy context defined by the Executive Board.

<u>Management Committee for Inclusive Finance (MCIF)</u>: The Programme will establish the MCIF, which will act as a management committee for the programme to monitor annual workplans, quarterly performance reports, and financial reporting, and annual performance reports. Senior managers from the Ministry of Commerce, Ministry of Finance, BOSS, UNCDF and UNDP shall form the MCIF.

Efforts shall be made jointly by the partners to mobilize additional resources into the programme.
The Secretariat will monitor performance over time, and report to the MCIF. Key selection and performance indicators will include positive trends in outreach (scale); portfolio quality and financial self-sufficiency (commercial viability).

<u>Outcome Board:</u> The Board of the SSMDF shall function as the Outcome Board for this programme. is Group is composed of high level representatives of stakeholders that play a key role in building an inclusive financial sector in Southern Sudan i.e. Ministry of Commerce, Ministry of Finance and BOSS. (more details will be helpful)

2. Fund Management Arrangements: UNDP Administration and Joint Programming

Harmonization of UN funding will be achieved through Joint Programme Arrangements: This is a "Joint Programme", as defined by the UN Development Group (UNDG), and associates UNDP and UNCDF as follows:

- Fund management will be a combination of "parallel funding" (whereby UNDP and UNCDF manage their respective core funds through their separate business units) and "pass-through" (whereby Donor and other third party co-financing funds will be transferred to each of the two agencies according to their budget management responsibilities as detailed in the budget, through the intermediary of an Administrative Agent);

- For Donor and other third party co-financing, UNDP will act as Administrative Agent on behalf of both agencies, according to UNDG rules, and this will be reflected in (a) the Letter of Agreement signed between the Administrative Agent and Donor and other co-financing partners and (b) an inter-agency Memorandum of Understanding to be signed by both UNDP and UNCDF, and by other UN agencies which opt later to support this programme; and

- In the course of implementation of this programme, and in monitoring and reporting on progress, UNDP, UNCDF and other future associated UN agencies will collaborate according to the regulations for Joint Programmes as these are issued by UNDG.

V. Monitoring, Evaluation and Reporting

As stipulated in previous sections, regular monitoring will be conducted of the Programme through the framework of SSMDF. For the retail level, the M&E will be based on standard UNCDF Financial Service Provider reporting as per the UNCDF Programme Manual [See Annex 2]. UNCDF standard performance based agreements with key performance indicators will be monitored on a quarterly basis. UNCDF will make available its standard reporting tools to SSMDF.

Financial Service Providers (FSPs) and Business Service Providers receiving assistance under the Fund for Inclusive Finance (FIF) will submit quarterly progress reports to the Board of the SSMDF on performance against

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standard indicators and targets as set in the Grant or Loan Agreements as adopted by SSMDF as per CGAP guidelines. In addition, FSPs will post their data on the MIX Market[15] facilitating international exposure, and FSPs will consent to the MIX Market forwarding their data to the Micro Banking Bulletin (MBB) for global and regional benchmarking.

The SSMDF will prepare and submit a quarterly and annual progress reports, narrative as well as financial to key stakeholders, including UNCDF and UNDP. The reports will include information on progress toward intended programme outputs: 1) the training of policy makers,; 2) audits and ratings; 3) grant funding to FSPs made by the SSMDF; as well as results achieved by FSPs based on standard performance and financial indicators. The annual reports will also cover issues of 4) constraints and opportunities for further developing the sector, including policy related issues 5) suggested actions needed to remove the constraints or seize opportunities, and 6) lessons learnt. Annual reports will be used for appraising the Annual Work Plan & Budget (AWPB) for the following year.

The Joint Programme is subject to an independent evaluations (mid-term or final), managed by the UNCDF Evaluation Unit, to assess its overall performance, the outputs and outcomes produced against its initial targets, the impact it has brought or would likely to bring about with a focus on the progress toward sustainability of the FSPs, its relevance to the national context, and management efficiency. The evaluation will be forward looking offering lessons learned and recommendations to improve programme performance or national policy for the next phase of the project. The independent evaluation of the programme will be addressed through the UNCDF global MicroLead programme, given the level of resources invested in Southern Sudan through MicroLead. Success in carrying out development evaluation requires partnerships in evaluation with national and international actors. Opportunities will be sought for collaboration with programme partners in conducting the evaluations.

VI. Legal Context

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement (SBAA) between the Government of Sudan and United Nations Development Programme. Consistent with the Article III of the SBAA, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the Government executing partner. The executing partner shall:

- Put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- Assume all risks and liabilities related to the executing agency's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The executing agency agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

[15] http://www.themix.org/en/index.html. UNCDF will establish a UNCDF/UNDP dash-board under the MIX market to facilitate the entry of new and less experienced FSPs to the MIX.

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Annex 1: Microfinance Sector Gap Analysis

Level	Constraints	Needs	Current and Planned Support	Gaps	Proposed UNCDF and UNDP Support
MACRO	Some policy makers in Ministries and BOSS have not received training in inclusive finance. Is there a shared common vision for an inclusive financial sector among all stakeholders? Coordination among different stakeholders could become challenging as the number of sources of funds expands.	Assist the policy makers, senior GOSS and BOSS officials to develop national inclusive financial sector policies. Disseminate the best practice information to the policy makers, parliamentarians and senior government officials through awareness campaigns and strategic communications Support Ministry of Commerce to coordinate all stakeholders active in the sector through semi-annual meetings reviewing progress in addressing opportunities and constraints to building an inclusive financial sector in Southern Sudan	**USAID (Bearing Point)** funding available on a demand basis for technical assistance and study visits to neighboring Central Banks. Focus is primarily on Financial Sector rather than microfinance. **World Bank: Microfinance Regulatory Policy Advisor** supporting the development of policies, regulations and supervision policy.	Support the training of the key GOSS and BOSS staff responsible for microfinance policy and programmes to attend the Boulder (Turin) training, **USAID:** GEMSS was initially designed to support BOSS and the ministry of Finance in the development of policy, but this has since been revised to provision of Technical assistance to MASS and the Forum to enable them effectively lobby and advocate for a conducive MF regulatory framework	**1] Funding for BOSS** to support policy studies and training of BOSS staff. **2] S**taff of responsible Ministries (BOSS, Ministry of Commerce, Ministry of Finance) to the **Boulder Microfinance training** in Turin, Italy in July/August 2009, together with the leaders of local MFIs. This group will collectively play a leading role in guiding sector development and, for the Ministry staff, be better positioned to advise their Ministers on key funding and policy decisions. 3] Support Ministry of Commerce to semi-annually update opportunities and constraints, funding and progress toward key performance targets in building an inclusive financial sector
Level	**Constraints**	**Needs**	**Current and Planned Support**	**Gaps**	**Proposed UNCDF Support**
MESO	Training for the growing staffing needs of the microfinance sector. There are a limited number of training	A growing demand from FSPs for staff with basic skills to be credit officers, branch managers, area managers and senior	BRAC training center is open to staff of any FSP. USAID/GEMSS will	A range of training courses, tracks and institutes would be needed to meet the growing demand.	1. Fellowship fund for mid-level and senior managers of MFIs for regional (School of Applied Microfinance (SAM, Mombassa) and for senior management, global training courses

MESO:	facilities/courses tailored to serve the sector. Transaction costs of providing services remains high due to bricks and mortar approach to provision of financial services	managers. Thus a range of training courses, tracks and institutes would be needed to meet this growing demand. New technologies to lower costs.	identify and Build the capacity of Business Development Services (BDS) providers to deliver services to MFIs. These include training institutions, consulting firms and any audit firms that may operational in Southern Sudan	Cel phone coverage is growing rapidly, but needs further expansion. Funding to cover initial start-up costs of pilots.	(Boulder, Turin, Italy). MFIs could submit their training requests on an annual basis, and allocations made based on available budgets. 3.Next Generation Technologies for Access to Finance: Via SSMDF, accept proposals for innovative pilots to serve the lower segments of the market. Successful pilots could then apply to the the global competition managed by CGAP.
Level	**Constraints**	**Needs**	**Current and Planned Support**	**Gaps**	**Proposed UNCDF Support**
RETAIL:	Long-term performance based funding for FSPs based on business plans. Annual tranches released when targets met. Tailored assistance to local young and promising MFIs. New entrants to contribute to a competitive sector.	Technical assistance, training, mentoring and coaching of the boards, management and staff of FSPs. Grant funding to cover initial operational losses, build capacity, and expedite expansion.	SSMDF has launched a request for applications to FSPs. USAID/GEMSS is preparing to launch funding to support FSPs.	Funding tailored to the needs of promising MFIs. Sharing experience from Micro Start programme of how to identify young promising MFIs and build their capacity. Sector needs additional FSPs to enter the market to build a competitive, inclusive financial sector	1. Dedicate UN funding within SSMDF for local, promising MFIs and VSL outreach. 2. Synthesize the key lessons learned from the global MicroStart programme and make them available to policy-makers and the technical team responsible for managing SSMDF. 3. Carefully facilitate the entry of new microfinance institutions and downscale the banks to offer sustainable financial services to lower income markets to increase competition and variety of FSPs.

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Annex 2: FSP Reporting		2010				2009
From:		Quarterly Indicators				Annual
Code	Name of Indicator	Q4	Q3	Q2	Q1	Year Ended
		31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
	Outreach					
O1	Number of Active Borrowers					
O2	Number of Voluntary Depositors					
O3	Value of Loans Outstanding					
O4	Voluntary Savings					
O5	Total Savings					
O6	Percent Women Active Borrowers					
O7	Percent of Women Voluntary Depositors					
	Client Poverty Level					
CPL1	Average Outstanding Loan Balance per Borrower					
CPL2	Average Outstanding Savings Balance per Saver					
CPL3	Average Loan Balance per Borrower/ GNI per Capita					
CPL4	Average Savings Balance per Saver/ GNI per capita					
	Collection Performance					
CP1	Portfolio at Risk (PAR) Ratio > 30 days					
	Sustainability					
S1	Operational Self-Sufficiency (OSS) (annualized)					
	Efficiency					
E1	Operating Expense Ratio (annualized)					

E2	Cost per Active Client (annualized)					
	Overall Financial Performance					
OFP1	Adjusted Return on Assets (AROA)	Only Need Last Fiscal Annual Indicator				
	Targets					
	Target Indicators	**2009**	**2010**	**2011**	**2012**	
T1	Number of Active Borrowers					
T2	Number of Voluntary Depositors					
T3	Portfolio At Risk					
T4	Operational Self-Sufficiency (annualized)					
T5	Cost Per Active Client					

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Annual Workplan 2010

Outcome: By 2013, Southern Sudan's financial sector is more competitive, sustainable and inclusive, leading to individuals having access to a range of financial services to support income-generating opportunities and household needs

Expected Outputs	Activities	Indicators	Budget Category	Responsible Party	Resources & Time Frame Q1	Q2	Q3	Q4	Planned Budget	Funding Source
Output 1. MACRO Policy Makers have access to international best practice and utilize this in making policy decisions	1.1 Assist BOSS to access CGAP Policy cadre or its equivalent and as well as training in	Policy framework provides enabling environment for inclusive finance without major constraints	Policy	SSMDF/ UNCDF		x			15,000	UNCDF
	1.2 Arrange training for the BOSS or GOSS officials to train at Boulder Microfinance Center.	3-4 Fellowships to Boulder Microfinance Center (Y1 – Y4) to build a cadre of thought leaders	Policy	SSMDF			x		50,000	UNDP
	1.3 Facilitate BOSS invitation to join AFI	Facilitate BOSS membership in the Alliance for Financial Inclusion (AFI) (Y1) and participation in AFI annual events.	Policy	UNCDF				x		UNCDF
Subtotal Output 1									65,000	
Output 2. MESO: Increased Transparency of FSPs resulting in increased credibility of the FSPs serving the market	2.1 Facilitate reporting on MIX-market. Invite MIX representatives to promote MIX reporting in Southern Sudan.	Number of FSPs reporting on the MIX Market.	Capacity development	SSMDF			x		-	UNCDF/ UNDP
	2.2 Training and certification for local auditors	Number of locally available external audit agencies.	Capacity development	SSMDF	x				20,000	UNCDF
	2.3 Annual audits of FSPs	Number of FSPs audited/rated as per CGAP Standard.	Capacity development	SSMDF		x			-	UNCDF/ UNDP
	2.4 Contract rating agency to rate all FSPs of significant scale [Y1 & Y4]	Ratings of FSPs to establish baseline of institutional capacity and measure capacity built during programme..	Capacity development	SSMDF		x			50,000	UNDP
Subtotal Output 2									70,000	
Output 3: MICRO: Increased Outreach and Sustainable Capacity of FSPs	3.1 Country Technical Advisor helps build the capacity of FSPs. Make technical assistance	Number of FSPs positive trend financial sustainability and increased institutional capacity captured by	Capacity development	SSMDF	x	x	x	x	226,690	UNCDF/ UNDP
	3.2 Country Technical Advisor provides tailored package of capacity building grants and loans to FSPs to build sustainable outreach	Number of Active Clients accessing savings and credit products.	Capacity development	SSMDF	x	x	x	x	226,690	UNCDF/ UNDP
		Increased outreach to female clients and rural areas, as well as establish microfinance outreach in all ten states of Southern Sudan.			x	x	x	x		
Subtotal Output 3									453,380	
Programme Management	Cost-sharing (7%)		Admin		x				-	UNCDF/ UNDP
Subtotal Management									50,000	
Total Budget									638,380	
Total UNCDF									388,380	
Total UNDP									250,000	
Funding Gap									none	

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Annual Workplan 2011

Outcome: By 2013, Southern Sudan's financial sector is more competitive, sustainable and inclusive, leading to individuals having access to a range of financial services to support income-generating opportunities and household needs

Expected Outputs	Activities	Indicators	Budget Category	Responsible Party	Resource Allocation and Time Frame Q1	Q2	Q3	Q4	Planned Budget	Funding Source
Output 1. MACRO Policy Makers have access to international best practice and utilize this in making policy decisions	1.1 Assist BOSS to access CGAP Policy cadre or its equivalent and as well as training in	Policy framework provides enabling environment for inclusive finance without	Policy	SSMDF		x			17,500	UNCDF
	1.2 Arrange training for the BOSS or GOSS officials to train at Boulder Microfinance Center.	3-4 Fellowships to Boulder Microfinance Center (Y1 – Y4) to build a cadre of thought leaders	Policy	SSMDF			x		50,000	UNDP
	1.3 Facilitate BOSS invitation to join AFI	Facilitate BOSS membership in the Alliance for Financial Inclusion (AFI) (Y1) and participation in AFI annual events.	Policy	SSMDF			x		-	UNCDF
Subtotal Output 1									67,500	
Output 2. MESO: Increased Transparency of FSPs resulting in increased credibility of the FSPs serving the market	2.1 Facilitate reporting on MIX-market. Invite MIX representatives to promote MIX reporting in Southern Sudan.	Number of FSPs reporting on the MIX Market.	Capacity development	SSMDF		x			35,000	UNCDF/ UNDP
	2.2 Training and certification for local auditors	Number of locally available external audit agencies.	Capacity development	SSMDF	x				20,000	UNCDF
	2.3 Annual audits of FSPs	Number of FSPs audited/rated as per CGAP Standard.	Capacity development	SSMDF		x			57,497	UNCDF/ UNDP
	2.4 Contract rating agency to rate all FSPs of significant scale [Y1 & Y4]	Ratings of FSPs to establish baseline of institutional capacity and measure capacity built during programme..	Knowledge management	SSMDF				x	25,000	UNDP
Subtotal Output 2									137,497	
Output 3: MICRO: Increased Outreach and Sustainable Capacity of FSPs	3.1 Country Technical Advisor helps build the capacity of FSPs. Make technical assistance available for product development, business planning, operations, and pilot roll-outs. Offer training to use tools such as Microfin (for planning)	Number of FSPs positive trend financial sustainability and increased institutional capacity captured by ratings	Capacity development	SSMDF	x	x	x	x	326,171	UNCDF/ UNDP
	3.2 Country Technical Advisor provides tailored package of capacity building grants and loans to FSPs to build sustainable outreach	Number of Active Clients accessing savings and credit products. Increased outreach to female clients and rural areas, as well as establish microfinance outreach in all ten states of Southern Sudan.	Capacity development	SSMDF	x	x	x	x	331,333	UNCDF/ UNDP
Subtotal Output 3									657,504	
	UNV [1/3 time programme backstopping]								26,000	
Programme Management	Cost sharing (7%)		Admin	UNCDF/UNDP					28,980	UNCDF/ UNDP
Subtotal Management									54,980	
Total Budget									917,481	
Total UNCDF									602,160	
Total UNDP									360,000	
Funding Gap									442,987	

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Annual Workplan 2012

Outcome: By 2013, Southern Sudan's financial sector is more competitive, sustainable and inclusive, leading to individuals having access to a range of financial services to support income-generating opportunities and household needs

Expected Outputs	Activities	Indicators	Budget Category	Responsible Party	Resource & Time Frame Q1	Q2	Q3	Q4	Planned Budget	Funding Source
Output 1. MACRO Policy Makers have access to international best practice and utilize this in making policy decisions	1.1 Assist BOSS to access CGAP Policy cadre or its equivalent and as well as training in microfinance	Policy framework provides enabling environment for inclusive finance without major	Policy	SSMDF		x			7,500	UNCDF
	1.2 Arrange training for the BOSS or GOSS officials to train at Boulder Microfinance Center.	3-4 Fellowships to Boulder Microfinance Center (Y1 – Y4) to build a cadre of thought								UNDP
	1.2 Arrange training for the BOSS or GOSS officials to train at Boulder Microfinance Center.	3-4 Fellowships to Boulder Microfinance Center (Y1 – Y4) to build a cadre of thought	Policy	SSMDF			x		50,000	UNCDF
	1.3 Facilitate BOSS invitation to join AFI	Facilitate BOSS membership in the Alliance for Financial Inclusion (AFI) (Y1) and participation in AFI annual events.	Policy	SSMDF			x			
Subtotal Output 1									57,500	UNCDF/ UNDP
Output 2. MESO: Increased Transparency of FSPs resulting in increased credibility of the FSPs serving the market	2.1 Facilitate reporting on MIX-market.	Number of FSPs reporting on the MIX Market.	Capacity development	SSMDF		x			30,000	UNCDF
	2.2 Training and certification for local auditors	agencies.	Capacity	SSMDF						UNCDF/ UNDP
	2.3 Annual audits of FSPs	Number of FSPs audited/rated as per CGAP Standard.	Capacity development	SSMDF		x			57,497	UNDP
	2.4 Contract rating agency to rate all FSPs of significant scale [Y1 & Y4]	Ratings of FSPs to establish baseline of institutional capacity and measure capacity built during programme..	Capacity development	SSMDF			x		25,000	
									112,497	UNCDF/ UNDP
Output 3: MICRO: Increased Outreach and Sustainable Capacity of FSPs	3.1 Country Technical Advisor helps build the capacity of FSPs. Make technical assistance available for product development, business planning, operations, and pilot roll-outs. Offer training to use tools such as Microfin (for planning)	Number of FSPs positive trend financial sustainability and increased institutional capacity captured by ratings	Capacity development	SSMDF	x	x	x	x	476,024	UNCDF/ UNDP
	3.2 Country Technical Advisor provides tailored package of capacity building grants and loans to FSPs to build sustainable outreach	Number of Active Clients accessing savings and credit products. rural areas, as well as establish microfinance outreach in all ten states of Southern Sudan.	Capacity development	SSMDF	x	x	x	x	500,085	
Subtotal Output 3									976,109	UNCDF/ UNDP
	UNV [1/3 time programme backstopping]								26,000	UNCDF/ UNDP
Programme Management	Cost sharing (7%)		Admin	UNCDF/UNDP					46,557	
Subtotal Management									72,557	
Total Budget									1,218,663	
Total UNCDF									523,670	
Total UNDP									656,000	
Funding Gap									711,657	

Annual Workplan 2013

Outcome: By 2013, Southern Sudan's financial sector is more competitive, sustainable and inclusive, leading to individuals having access to a range of financial services to support income-generating opportunities and household needs

Expected Outputs	Activities	Indicators	Budget Category	Responsible Party	Time Frame Q1	Q2	Q3	Q4	Planned Budget	Funding Source
Output 1. MACRO: Policy Makers have access to international best practice and utilize this in making policy	1.1 Assist BOSS to access CGAP Policy cadre or its equivalent and as well as training in microfinance best practices.	Policy framework provides enabling environment for inclusive finance without major constraints	Policy	SSMDF		x			-	UNCDF
	1.2 Arrange training for the BOSS or GOSS officials to train at Boulder Microfinance Center.	3-4 Fellowships to Boulder Microfinance Center (Y1 – Y4) to build a cadre of thought leaders	Policy	SSMDF					50,000	UNDP
	1.3 Facilitate BOSS invitation to join AFI	Facilitate BOSS membership in the Alliance for Financial Inclusion (AFI) (Y1) and participation in AFI annual events.	Policy	SSMDF			x		-	UNCDF
Subtotal Output 1									50,000	
Output 2. MESO: Increased Transparency of FSPs resulting in increased credibility of the FSPs serving the market	2.1 Facilitate reporting on MIX-market.	Number of FSPs reporting on the MIX Market.	Capacity development	SSMDF	x	x	x	x	25,000	UNCDF/ UNDP
	2.2 Training and certification for local auditors	Number of locally available external audit agencies.	Capacity development	SSMDF	x	x	x	x	-	UNCDF
	2.3 Annual audits of FSPs	Number of FSPs audited/rated as per CGAP Standard.	Capacity development	SSMDF	x	x	x	x	25,000	UNCDF/ UNDP
	2.4 Contract rating agency to rate all FSPs of significant scale [Y1 & Y4]	Ratings of FSPs to establish baseline of institutional capacity and measure capacity built during programme..	Capacity development	SSMDF	x	x	x	x	50,000	UNDP
Subtotal Output 2									100,000	
Output 3: MICRO: Increased Outreach and Sustainable Capacity of FSPs	3.1 Country Technical Advisor helps build the capacity of FSPs. Make technical assistance available for product development, business planning, operations, and pilot roll-outs. Offer training to use tools such as Microfin (for planning)	Number of FSPs positive trend financial sustainability and increased institutional capacity captured by ratings	Capacity development	SSMDF	x	x	x	x	485,278	UNCDF/ UNDP
	3.2 Country Technical Advisor provides tailored package of capacity building grants and loans to FSPs to build sustainable outreach	Number of Active Clients accessing savings and credit products. Increased outreach to female clients and rural areas, as well as establish microfinance outreach in all ten states of Southern Sudan.	Capacity development	SSMDF	x	x	x	x	508,895	UNCDF/ UNDP
Subtotal Output 3									994,173	
Programme management	UNV [1/3 time programme backstopping]								26,000	
	Cost-Sharing (7%)		Admin	UNCDF/UNDP					55,303	UNCDF/ UNDP
Subtotal Management									81,303	
Total Budget									1,225,476	
Total UNCDF									485,790	
Total UNDP									734,000	
Funding Gap									845,356	

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Expected Results (Outcomes)	Outputs	Activities	Indicators (with Baseline & indicative timeframe)	Means of verification	Collection methods (with indicative timeframe & frequency)	Responsibilities	Risks & assumptions
Outcome: By 2013, Southern Sudan's financial sector is more competitive, sustainable and inclusive, leading to individuals having access to a range of financial services to support income-generating opportunities and household needs							
Outcome 1. MACRO: Enabling Policy Environment for Microfinance	**Output 1. MACRO: Policy Makers have access to international best practice and utilize this in making policy**	1.1 Assist BOSS to access CGAP Policy cadre or its equivalent and as well as training in microfinance best practices.	Policy framework provides enabling environment for inclusive finance without major constraints; baseline no major constraints	BOSS has access to international best practice in reviewing policy; FSPs report no major policy constraints to growth of sector	SSMDF Annual Report	UNCDF/ SSMDF	CGAP policy cadre or its equivalent is unavailable. BOSS workload makes it difficult to engage in second opinion to complement existing policy advice.
		1.2 Arrange training for the BOSS or GOSS officials to train at Boulder Microfinance Center.	3-4 Fellowships to Boulder Microfinance Center (Y1 – Y4) to build a cadre of thought leaders; baseline 4 in 2009	SSMDF Annual Report	SSMDF Annual Report	UNDP/SSMDF	Rotation of staff makes it difficult to build and maintain critical mass of advisors to policy-makers with exposure to best practice. Policy decisions are taken outside of best practice.
		1.3 Facilitate BOSS invitation to join AFI	Facilitate BOSS membership in the Alliance for Financial Inclusion (AFI) (Y1) and participation in AFI annual events: baseline invitation facilitated	e-mail confirmation of invitation from AFI. SSMDF Annual Report	SSMDF Annual Report	UNCDF/ SSMDF	BOSS workload makes participation in AFI difficult.
Outcome 2. MESO: Increased Transparency of FSPs resulting in increased credibility of the FSPs serving the market	**Output 2. MESO: Increased Audits and Ratings of FSPs**	2.1 Facilitate reporting on MIX-market.	Number of FSPs reporting on the MIX Market; baseline 2 in 2009	Mix Market www.themix.org	Annually via Mix Market www.themix.org	SSMDF	Only stronger FSPs are able to meet MIX Market standards for posting data.
		2.2 Training and certification for local auditors	Number of locally available external audit agencies; baseline 0	SSMDF Annual Report	SSMDF Annual Report	UNCDF/UNDP/SSMDF	Few Southern Sudanese audit firms will require reliance on regional auditors during programme period, however participation of local staff may increase.
		2.3 Annual audits of FSPs	Number of FSPs audited/rated as per CGAP Standard; baseline 0	E-copies of Audits to UNCDF	Annual Audits of FSPs	UNCDF/SSMDF	Insufficient quality/number of locally available auditors requires costly regional auditors
		2.4 Contract rating agency to rate all FSPs of significant scale [Y1 & Y4]	Ratings of FSPs to establish baseline of institutional capacity and measure capacity built during programme; baseline 1 in 2009	e-Copies of Ratings	Ratings of FSPs, comparining baseline to end of programme	UNCDF/UNDP/SSMDF	No risks: assumes full scale ratings for larger FSPs and 'light' ratings for younger FSPs
Outcome 3: MICRO: individuals having access to a range of financial services to support income-generating opportunities and household needs	**Output 3: MICRO: Increased Outreach and Sustainable Capacity of FSPs**	3.1 Country Technical Advisor helps build the capacity of FSPs. Make technical assistance available for product development, business planning, operations, and pilot roll-outs. Offer training to use tools such as Microfin (for planning)	Number of FSPs positive trend financial sustainability and increased institutional capacity captured by ratings	SSMDF Annual Report; Ratings of FSPs, comparining baseline to end of programme	SSMDF: annual FSP reporting of performance; Ratings of FSPs, comparining baseline to end of programme	UNCDF/UNDP/SSMDF	Southern Sudan will organize elections/referendums in 2010 and early 2011 that could potentiallly lead to instability in the business environment for FSPs and their clients resulting in portfolio losses, slower growth and reduced sustainability. As a post-conflict country whose education system was disrupted during the conflict, the availability of trained staff may constrain FSPs abilitty to expand rapidly.
		3.2 Country Technical Advisor provides tailored package of capacity building grants and loans to FSPs to build sustainable outreach	Number of Active Clients accessing savings and credit products; baseline: 15,153; 39,227 in 2009; 101,513 in 2010; 177,300 in 2011; 241,750 in 2012; 308,376 in 2013 Increased outreach to female clients [50% of targets above], as well as establish microfinance outreach in all ten states of Southern Sudan.	Copies of FSP grant agreements; quarterly FSP reporting; annual SSMDF reports, MIX Market	SSMDF Reports, quarterly and annually	UNCDF/UNDP/SSMDF	Slow release of FSP funds from NCB could affect ability of FSPs to reach growth targets. Funding Gap for years 2011 to 2013 is not filled, meaning only those activities covered by UNDP and UNCDF core funds, and global MicroLead programme are delivered.
Programme Management		Administrative Support/UNV	n.a.	n.a.	UNCDF Finance	UNCDF/UNDP	n.a.

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UNCDF Core Budget for Entry into Atlas

Expected Outputs	Activities	Budget Category	Responsible Party	Resource Allocation and Time Frame 2010	2011	2012	2013	Total Amount
Output 1. MACRO: Policy Makers have access to	International Consultants	Policy	SSMDF	15,000			-	15,000
	Fellowships	Policy	SSMDF					-
	Facilitate BOSS invitation to join AFI	Policy	UNCDF		-	-	-	-
Subtotal Output 1				15,000	-	-	-	15,000
Output 2. MESO: Increased Audits and Ratings of FSPs	International Consultants	Capacity development	SSMDF	-	-		-	-
	International Consultants	Capacity development	SSMDF		-		-	-
	Contractual Services: Audit	Capacity development	SSMDF	20,000	-		-	20,000
	Contractual Services: Ratings	Capacity development	SSMDF					-
Subtotal Output 2				20,000	-	-	-	20,000
Output 3: MICRO: Increased Outreach and	International Consultants	Capacity development	SSMDF	76,690	24,494	107,006	100,000	308,190
	Grants to FSPs	Capacity development	SSMDF	226,690	187,000	137,000	17,120	567,810
Subtotal Output 3				303,380	211,494	244,006	117,120	876,000
	UNV [1/3 of time]	Admin			13,000	13,000	13,000	39,000
Programme Management	Cost-sharing (7%) & 5% AOS UNCDF [50,000 in 2010]	Admin	UNCDF/UNDP	50,000				50,000
Subtotal Management				50,000	13,000	13,000	13,000	89,000
Total Budget				388,380	224,494	257,006	130,120	1,000,000

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UNDP Core Budget for Entry into Atlas

Expected Outputs	Activities	Budget Category	Responsible Party	Resource Allocation and Time Frame				Total Amount
				2010	2011	2012	2013	
Output 1. MACRO: Policy Makers have	International Consultants	Policy	SSMDF				-	-
	Fellowships	Policy	SSMDF	50,000	50,000	50,000	50,000	200,000
	Facilitate BOSS invitation to join AFI	Policy	UNCDF		-	-	-	-
Subtotal Output 1				50,000	50,000	50,000	50,000	200,000
Output 2. MESO: Increased Audits and Ratings of FSPs	International Consultants	Capacity development	SSMDF	-				-
	International Consultants	Capacity development	SSMDF			-	-	-
	Contractual Services: Audit	Capacity development	SSMDF	-				-
	Contractual Services: Ratings	Capacity development	SSMDF	50,000	25,000	25,000	50,000	150,000
Subtotal Output 2				50,000	25,000	25,000	50,000	150,000
Output 3: MICRO: Increased	International Consultants	Capacity development	SSMDF	-	100,000	100,000	100,000	300,000
	Grants to FSPs	Capacity development	SSMDF	150,000	62,000	62,000	37,000	311,000
Subtotal Output 3				150,000	162,000	162,000	137,000	611,000
				-	13,000	13,000	13,000	39,000
Programme Management	Cost-sharing (7%)	Admin	UNCDF/UNDP	-				-
Subtotal Management				-	13,000	13,000	13,000	39,000
Total Budget				250,000	250,000	250,000	250,000	1,000,000