

UN CAPITAL DEVELOPMENT FUND

Programme Document Annex

SUPPORT TO SAVINGS-LED MICROFINANCE MARKET LEADERS TO ENTER MYANMAR 2012– 2016

(MicroLead Expansion Programme)



Region: Asia

This programme aims to contribute to the development of strong inclusive financial sectors and the achievement of the Millennium Development Goals (MDGs), particularly the specific goal of poverty reduction in half by 2015, by supporting the expansion of microfinance market leaders in Myanmar. The programme will also contribute to United Nations Framework for Myanmar, particularly in contributing to sustainable livelihoods and improved household income in Myanmar.

Programme Outcome:

The outcome by the end of the programme (2016) will be increased sustainable access to appropriate demand-driven responsible financial and knowledge products and services, with a focus on savings mobilization, to more than 100,000 low income clients in Myanmar, at least half of whom are women and at least half of whom reside in rural areas.

Programme Outputs:

1. Sustainable Greenfield Financial Service Providers (FSPs) providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in Myanmar;
2. Knowledge generated and disseminated among FSPs, policy makers, donors and other stakeholders related to the financial behavior and preferences of poor people, product development, management of financial services, and Greenfield operations; and
3. Resources well managed and lessons learnt documented..

Programme Duration: **4.1 years**

Anticipated start/end dates: Oct **2012- Nov 2016**

Total estimated budget: \$7,006,262

Out of which:

1. Funded Budget: \$7,006,262

2. Unfunded budget: \$0

Sources of funded budget:

- Government _____
- UN Org.... _____
- LIFT Myanmar \$7,006,262
- Donor ... _____

1 Introduction

The LDC Fund to Develop Savings-led Market Leaders (MicroLead) Programme was launched in 2008 by UNCDF, with the support of the Bill & Melinda Gates Foundation with the purpose of providing loans and grants to leading southern Financial Service Providers (FSPs) on a competitive basis to facilitate their entry into LDCs, including in post-conflict and transitional contexts, where access to finance is most limited. The creation of MicroLead was largely motivated by the recognition of:

- (i) The catalytic role 'market leaders' can have to not only dramatically expand scale of retail services based on proven business models but also to shape norms and standards of practice in underserved markets that can help to drive overall sector development.
- (ii) The role of market leaders to crowd in and attract investors to capitalize or refinance lending portfolios, allowing public institutions to limit their investments to smart subsidies.
- (iii) the need to meet the demand from low-income people for opportunities to save through safe, convenient and flexible products that are provided alongside opportunities to borrow, which market leaders are more capable of delivering safely.

The Fund has already supported some of the leading FSPs from the South to expand their operations through green-fielding or by providing technical assistance to existing local FSPs. These include Aceda Bank from Cambodia, CARD Bank from the Philippines, BRAC from Bangladesh, Equity Bank from Kenya, and BASIX from India amongst others. Based on these results, UNCDF launched an expansion of the programme in 2011 with the support of The MasterCard Foundation (MCF) focused on sub-Saharan Africa (SSA). The MCF-funded portion of MicroLead Expansion will be implemented in SSA LDCs and non-LDCs and will make awards to northern as well as southern market leaders. The total MicroLead programme has now grown to a US\$ 51.5 million fund.

2 Background and Context¹

Access to finance is extremely limited in Myanmar and there have not been concerted efforts to address the constraints until very recently. The financial system in Myanmar is at the early stages of development. The financial sector is very small and highly underdeveloped, particularly in comparison with neighboring countries. The percentage of outstanding loans to GDP is only 4.7% of GDP, although the overall level of deposits is slightly higher at 12.6% of GDP.² However, due to rapid growth of the banking sector in 2011, these figures moved up from 3.4% and 9.4% respectively in 2010 reflecting a recent upward trend.

¹ The analysis and information is drawn from unpublished mission reports of UNCDF and World Bank.

² Data from Central Bank of Myanmar, January 2012.

The four state owned banks dominate the financial sector in many areas and the largest bank, Myanmar Economic Bank (MEB), assumes most of this activity. This has been changing recently and the share of state bank lending to the private sector has declined due to the rapid growth of private bank activities – state owned bank lending to the private sector went from 25.9% of total lending to the private sector in 2009 to 12.2% in 2011.

The MEB has the most branches (325) and the Myanmar Agricultural Development Bank (MADB) has 223, where the 19 private banks in total only have 332 and 14 of these private banks have 20 branches or less, largely clustered in urban areas and Yangon.

The private banks operating in Myanmar are quite small in scale, with an average of 88 billion kyats³ of loans outstanding per bank, and foreign banks are not allowed to operate (only representative offices). The private banks generally focus on small and medium-sized enterprises (SMEs) and in some cases, more than 90% of a bank's total loans are awarded to SMEs. The range of banking products and services provided in Myanmar is limited to a handful of simple, basic banking services.

Interest rates are banded and set administratively – there is no market interest rate mechanism or tools available. As of January 2012, the deposit rate is set at 8% per year and the lending rate at 13% (regardless of the maturity), but there are exceptions. Informal money lenders may charge upwards of 10-15% per month.

In terms of microfinance, there are very few institutions providing microfinance services in Myanmar, particularly in the areas where it is most needed – rural locations and in the agricultural sector. The agricultural sector in Myanmar is 27.6% of GDP and the largest employer in the country. While, it contains the largest number of potential microfinance clients, only 2.5% of all loans are made to this sector.

There are six categories of microfinance providers in Myanmar in order of formality: state banks, private banks, NGOs, cooperatives, specialized agricultural companies, and village banks. There are others providing microfinance, such as pawn shops and informal money lenders, but there is no information or data available on them.

In total, it is estimated that the institutions doing microfinance serve an estimated 3.6 million individuals and businesses through over 12,000 branches and outlets and provide 441 billion kyat in credit. There are serious limitations in the available data, but the table below makes an attempt to present some basic data on the six categories of microfinance providers in Myanmar. Each of these categories has unique characteristics, structures, and operations. In general, the size of loans have more to do with capital constraints (leading these organisations to provide micro-finance) than to any stated intent to reach people at the base of the pyramid.

³ 1 USD is approximately equal to 884.000 MMK. Source: <http://www.xe.com>, date accessed, 11 July 2012.

Category	Individual Institutions	Number of Branches / Outlets	Number of Loans	Loans Outstanding (in Kyats)	Average Loan Size (in Kyats)	Total Savings (in Kyats)	Number of Deposit Accounts	Average Deposit Size (in Kyats)	Regulated	Supervisory Agency
State Owned Bank	MADB /1	205	1,420,000	358,168,430,000	252,231	66,149,950,000	3,030,000,000	22	Yes	Ministry of Agriculture
	MSLE /2	143	208,778	31,341,790,000	150,120	N/A	N/A	N/A	Yes	Ministry of Finance and Revenue
Private Bank	MLFDB	53	N/A	N/A	N/A	N/A	N/A	N/A	Yes	Central Bank of Myanmar
Non-Governmental Organization	UNDP/PACT /3	110	560,000	47,200,000,000	84,286	N/A	N/A	N/A	No	N/A
	GRET /4	N/A	4,332	300,313,000	69,324	N/A	N/A	N/A	No	N/A
	AMDA /4	N/A	1,510	55,109,960	36,497	N/A	N/A	N/A	No	N/A
	Save the Children /4	N/A	16,656	400,000,000	24,015	N/A	N/A	N/A	No	N/A
	Total /4	N/A	1,197	165,077,000	137,909	N/A	N/A	N/A	No	N/A
	World Vision /4	N/A	8,131	1,000,000,000	122,986	N/A	N/A	N/A	No	N/A
Cooperatives /5		148	67,905	2,430,530,000	35,793	4,861,130,000	67,905	71,587	Yes	Central Cooperative Society
Specialized Agricultural Companies /6		75	N/A	N/A	N/A	N/A	N/A	N/A	No	N/A
Village Banks /7		12,000	1,400,000	N/A	N/A	N/A	N/A	N/A	No	N/A
TOTALS		12,734	3,688,509	441,061,249,960		71,011,080,000	3,030,067,905			

Figure 1 Key Data on Financial Landscape in Myanmar

The Central Bank of Myanmar (CBM) is the primary regulator and supervisor of financial institutions, but the CBM is currently structured as a department of the Ministry of Finance and Revenue (MOFR). The new Microfinance law formulated in November 2011 created the Microfinance Supervisory Enterprise (MSE) to supervise microfinance institutions under the new law. MSE sits under MOFR but does not fall under the authority of the CBM. A set of procedures and three directives were issued to implement the law.

With the lifting of the central constraint on financial inclusion through the enactment of the microfinance law, some earlier challenges are becoming more prominent, while the law itself is creating new challenges and uncertainties. Chief among these are:

- *Challenge of securing liquidity for working capital:* there are no reliable sources of working capital and liquidity to finance the expected expansion of microfinance lending operations in Myanmar. There is no APEX institution. Commercial banks cannot offer refinancing because of regulatory restrictions. There are no private investment vehicles or public institutions that normally provide equity investments and refinancing.
- *Challenge of constrained retail distribution capacity:* there is no critical mass of strong retailers to take advantage of the legal space for microfinance. The capacity of new entrants and limited source of local technical expertise will put constraints on responsibly expanding services, even if generous funding is made available.
- *Challenge of managing expectations and developing norms and standards for responsible development of the sector:* the high level political commitment to microfinance and the sudden opening of the market bring potential risks.

Entrants vary considerably in terms of ethos and motives. Expectations are high with potentially inflated claims about the impact of financial services. A failure of an institution or an unflattering story could suddenly precipitate a closedown of the recently opened up space.

- *Challenge of effective supervision, policy and regulation for a more enabling environment for the orderly development of the sector:* the supervisory systems and teams being established require support to effectively supervise microfinance institutions, particularly given the low requirements of deposit taking institutions. Similarly, while the instruction of the Ministry of Finance to limit microfinance operations to savings and loans is an appropriately measured approach to opening up the microfinance market, it will, nevertheless, need to be encouraged and supported to gradually open up allowable services under microfinance. These include payments and remittances, particularly as complementary markets in telecommunications and value cards, for example, create opportunities to use lower cost distribution systems to extend financial inclusion.

The above context presents a very strong rationale for microfinance market leaders who already have an established framework of operation and are signatories to globally recognized and sound client protection practices to enter the market. The proposed MicroLead Expansion in Myanmar offers a unique approach to filling the current supply gaps in the local microfinance sector in a safe, responsible and sustainable manner.

3 UNCDF, UN Framework for Myanmar and MicroLead

UNCDF is the UN's capital investment agency for the world's 48 least developed countries. It creates new opportunities for poor people and their communities by increasing access to microfinance and investment capital. UNCDF focuses on Africa and the poorest countries of Asia, with a special commitment to countries emerging from conflict or crisis. It provides seed capital – grants and loans – and technical support to help microfinance institutions reach more poor households and small businesses, and local governments finance the capital investments – water systems, feeder roads, schools, irrigation schemes – that will improve poor peoples' lives. UNCDF programmes help to empower women, and are designed to catalyze larger capital flows from the private sector, national governments and development partners, for maximum impact toward the Millennium Development Goals.

UNCDF has been engaged with the Myanmar microfinance sector for over 2-years through its role as the official policy advisor to UNDP on microfinance. It is now in the process of establishing a physical presence in the country with programmes aligned with the emerging United Nations Framework for Myanmar and in support of the UNDP Country Programme.

An advisor for MAP has been hired for MAP in Myanmar and there is a plan to hire a Programme Specialist to be based in Myanmar. These personnel will be supported through the regional technical infrastructure in Bangkok and they will be responsible for the development and management of UNCDF's programmes in Myanmar.

UNCDF seeks to deploy the capabilities of the MicroLead Fund and its regional support infrastructure to assist at least two microfinance market leaders from Asia to establish sustainable Greenfield operations in Myanmar. These greenfields will have a target to ensure that at least an additional 100,000 low-income clients (thus impacting close to 500,000⁴ people in total) have access to the use of safe and convenient savings and lending services on a sustainable basis. The Greenfield operations will be complemented by the generation of knowledge products. These products will support the improvement of savings and lending practices by shaping the market standards and norms in Myanmar.

Wherever possible, MicroLead activities will be geographically aligned with target townships under LIFT⁵ and the proposed Pillar 1 of UNDP's programme to maximize opportunities to leverage larger impact. This will make a significant contribution to LIFT goal of sustainably increasing the incomes of 2 million target beneficiaries. MicroLead will also directly contribute to delivering output 2 of Pillar 1 of UNDP's programme, namely sustainable livelihoods and improved household income through increased access to financial resources, employment and economic opportunities.

With a proposed budget of US\$7 million spread over 4.1 years (October 2012- November 2016), the direct cost per client is approximately US\$71. However, the unit cost is likely to be significantly lower when larger market improvements are taken into account.

Additionally, there is significant potential to leverage between 40 to 60 times the initial investment through significant deposit mobilization and commercial investments for lending. The expected outputs and associated activities are detailed in the following sections.

4 Expected Outputs and Activities

The outcome by the end of the programme (November 2016) will be increased and sustainable access to appropriate demand-driven responsible financial and knowledge products and services, with a focus on offering high quality savings and lending services, to more than 100,000 low income people in Myanmar, at least half of whom are women and at least half of whom reside in rural areas.

The programme specific outputs (See Annex 1 for details) to be achieved by UNCDF are:

⁴ The Myanmar Government Household Income and Expenditure Survey in 2006 found that the average household size was 4.72 (urban 4.87, rural 4.67).

⁵ The Livelihoods and Food Security Trust Fund (LIFT) is a five-year multi donor fund of US\$100 million for Myanmar, governed by a donor consortium (<http://lift-fund.net/>).

Output 1: Sustainable Greenfield FSPs providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in Myanmar

- At least two southern-based sustainable Greenfield FSPs providing access to demand-driven, responsibly-delivered, savings and lending financial products and services to low income people in Myanmar ;
- At least 100,000 net new clients (either savers or borrowers, at least half of whom are women and at least half of whom reside in rural areas) accessing financial services from the above-supported Greenfield FSPs;
- Programme Specialist is appointed in Myanmar for an initial period of 2.75 years to (a) technically support market leading FSPs to adapt their business models to the context in Myanmar and provide intensive on-site support in establishing fledgling operations and supporting them towards sustainability; (b) guide FSPs to situate within larger evolution and developments of the sector (c) mediate lessons learnt from the experience of other MicroLead programmes globally, and (d) generate knowledge from MicroLead FSPs and support in their application and use among market players in Myanmar.

Output 2: Knowledge generated and disseminated among FSPs, policy makers, donors and other stakeholders related to the financial behavior and preferences of poor people, product development, management of financial services, and Greenfield operations

- Preparation and dissemination of at least six case studies and policy or programme briefs
- A research⁶ programme that is aimed at:
 - Gaining a deeper understanding of the financial lives, behavior, preferences and needs of low income households in both rural and urban contexts.
 - Developing a very practical market research tool⁷ that can be deployed at modest cost, as a public good, to produce:
 - i. insights for microfinance product design
 - ii. a data-base for follow-up monitoring of product performance and modification
 - iii. a longitudinal data-base of changes in the financial behavior of poor households, dynamically related to the development of microfinance services in the country
 - iv. valuable inputs to policy discussions around sector development in Myanmar

⁶ The research will be linked with the work of FSPs that are to be supported by the MicroLead Myanmar Programme such that some of the research respondents will be clients or would-be clients of supported providers.

⁷ Modified form of the 'financial diaries' research tool. Financial diaries (financialdiaries.com) are intensive sets of frequently-repeated interviews with selected research respondents in which the respondent's income, expenditure and financial intermediation are tracked in detail over a period of time. The views, reasons given for the behavior, level of understanding of financial tools, and expressed preferences of the respondents are also captured.

Output 3: Resources well managed and lessons learnt documented.

- Supervision by Senior Regional Technical Advisor and MicroLead Programme Manager to ensure that all activities are undertaken on time and outputs meet and/or exceed targets
- Programme evaluation to be conducted in conjunction with the Global MicroLead programme

5 Implementation Methodology

The methodology employed in the Myanmar expansion will be similar to the existing programme whereby UNCDF will issue a targeted Request for Applications (RFA) to leading FSPs that have already demonstrated that they have a proven business model to achieve scale and profitability.

An external consultant, in addition to Financial Inclusion Practice Area (FIPA) staff (in particular the MicroLead Programme Management Unit (PMU) and FIPA Senior Regional Technical Advisor), will review, undertake due diligence and rank the proposals using a quantitative and qualitative assessment tool. The Senior Regional Technical Advisor will consult LIFT Myanmar to ensure that its views are taken into account in the assessment of proposals. The Myanmar-based MicroLead Programme Specialist will then present the short-listed proposals to FIPA Investment Committee. After internal UNCDF approval, negotiations will ensue with applicants on funding amounts and disbursement conditions. Performance Based Agreements (PBAs) will be negotiated and executed. Tranches will be disbursed to FSPs as disbursement conditions are met.

UNCDF will invite FSPs with a proven track record to submit applications and will also advertise the RFA via national and regional microfinance fora. The eligibility requirements noted below for FSPs are subject to change but will be finalized following consultation with LIFT for subsequent approval by the FIPA Director prior to the issuance of the RFA.

Eligibility Requirements for FSPs

For FSPs, the eligibility requirements may include:

- greater than 100,000 depositors and MIX Market diamond of 4 or 5;
- profitable (ROA positive) and reasonable liquidity⁸;
- solid portfolio quality (less than 7.5% PAR 30 currently and decreasing trend over past 3 years);
- in each country where FSP is currently operational, average loan size/GNI/capita and average deposit amount/GNI/capita demonstrates commitment to low-income populations⁹;
- legally able to offer low-balance savings accounts and loans in home-country;

⁸ Positive trend over the last three years, preferably greater than 1

⁹ Comparison to other FSPs in respective country made to determine low-income populations targeted.

- signatory to the Smart Campaign's Client Protection Principles and implementation of sound client protection practices;
- expertise reaching women, rural and agricultural markets;
- reporting to the MIX Market on financial and social performance;
- demonstration of hiring and promoting women to senior management positions;
- gender balance, or commitment to improve percentage of women, on Board of Directors;
- implementation of lending policies which demonstrate good environmental practices;
- commitment to and demonstration of sharing knowledge; and,
- a recent independent rating and audited financial statements available for the past three years¹⁰.

For new holding companies currently being established by experienced microfinance practitioners, the above eligibility requirements (or, as finalized in the RFA) will apply to institutions previously established/supported by senior management of the holding company. For commercial bank applicants, portfolio and other data should be submitted with microfinance portfolio broken out.

The Myanmar Programme includes certain notable improvements to above described methodology which incorporate both key lessons from the mid-term review of the MicroLead Programme as well as experience of the MicroLead PMU. They are:

- (1) Pursuing only greenfield applications as previous MicroLead programme experience has shown that certain minimum requirements in terms of critical mass of local MFIs of a particular size, need to be in place in order for the provision of Technical Assistance to achieve its desired outcome
- (2) Appointment of an on-site Programme Specialist embedded into MicroLead FSPs to provide day-to-day technical support and guidance
- (3) Incorporation of an innovative research programme that aims to develop a tool that can not only be utilized by the selected FSPs but can also serve as a knowledge product for use by the wider microfinance sector both locally and globally. This tool could additionally be instrumental in aiding policy discussions pertaining to issues in the microfinance sector.

Exit Strategy

It is envisioned that at the end of the project period, the selected MFIs will be autonomous and capable of achieving financial self-sufficiency. It is not foreseen at this point that there will be a need for continued financial support of UNCDF beyond the project period.

During the project period, UNCDF will work to secure investments from other donors such as KfW Entwicklungsbank (KfW), Swedish International Development Cooperation Agency (Sida) and Asian Development Bank (ADB) among others, to prepare for the anticipated funding required for reinvestment beyond the project period.

¹⁰ Audited financial statements will be reviewed to understand qualification, if any, and actions taken by FSP.

6 Value Add of MicroLead Myanmar

The key value- adding attributes of the Myanmar programme are summarised below:

1. Financial leverage: Smart public subsidies leading to leverage of significant additional resources in the range of 40 to 60 times of initial public investment.
2. Wider impact: Knowledge tools and products leading to improvements in microfinance policy and practice in Myanmar well beyond the 100,000 additional clients targeted through MicroLead market leaders.
3. Due-diligence: Deployment of UNCDF's due diligence tools and methodologies that ensure the selection of the most credible and suitable FSPs.
4. Performance management and payment by results: Use of UNCDF's performance management tool - Performance Based Agreements (PBAs), which:
 - a. Outlines key performance milestones that are used to monitor progress;
 - b. Links payments to performance;
 - c. Reflects key conditions to ensure accountability to clients as per the client protection principles laid out by the Smart Campaign
5. Access to good practice and shared learning: Ability to share lessons and knowledge among and between MicroLead grantees worldwide (currently 7 FSPs implementing 13 projects and expected to be 18 FSPs implementing 26 projects by Q3 2012)
6. On-site technical support: Provision of temporary on-site support with the appointment of a Programme Specialist for 2.75 years
7. Transparent publicly available reporting: Reporting of all results to the MIX platform to allow for greater transparency and sector-wide access to performance data

7 Monitoring, Reporting and Evaluation

All FSPs supported under this programme will be required to report quarterly to UNCDF (in this case to the MicroLead PMU via the Programme Specialist in Myanmar and the Senior Regional Technical Advisor based in Bangkok) using a standard performance reporting format, including indicators on outreach, portfolio, savings, etc. In addition, a quarterly narrative report will be required. The format of this report will be agreed upon by LIFT and UNCDF. Annually, FSPs will provide audited annual financial statements, and in the case of TA projects, audited statements of the FSPs being supported.

All grantees are strongly encouraged to endorse the Client Protection Principles of the Smart Campaign¹¹. Pursuant to the FIPA standard PBA, all FSP grantees will report annually to UNCDF on their client protection activities.

¹¹ The Smart Campaign is a global campaign committed to embedding client protection practices into the institutional culture and operations of the microfinance industry. (<http://www.smartcampaign.org/about-the-campaign/>)

The baseline for calculating outreach of the programme will be a starting point of zero (0) clients for the applications supported. As a condition of the grants, the FSPs will consent to reporting to the MIX Market and forwarding their data to the Micro Banking Bulletin (MBB) for global and regional benchmarking. All grantees will also provide multi-year business plans to UNCDF.

The programme is subject to an independent mid-term¹² and final evaluation, managed by the UNCDF Evaluation Unit. All reporting and evaluations will be conducted inclusive of all MicroLead-funded projects irrespective of the funding organisation. Evaluation reports will be shared on UNCDF's website and widely circulated to stakeholders.

The programme monitoring framework (see **Annex 1**) presents the indicators including targets to be used when monitoring and evaluating this programme. The final evaluation of the expansion programme will also include a technical assessment of the results from the perspectives of the FSPs. In addition, the final evaluation will build on the findings from the Knowledge Management component of the project, and fill in any gaps needed to highlight programmatic and technical lessons learned on the benefit of savings and the microfinance industry, as a whole.

¹² The existing MicroLead programme final evaluation in June 2014 will coincide with and will be conducted in lieu of this mid-term evaluation.

8 Assumptions, Risks and Mitigation

#	Description of Assumptions or Risks	Category	Impact & Probability	Countermeasures / Management Response
1	Very small number of suitable market leading FSPs respond to the planned single RFA with applications	Strategic	Programme will not achieve outreach targets <i>Probability = low</i>	Significant communication through various MF channels, including all current MicroLead grantees, to alert market leading FSPs of the MicroLead opportunity in Myanmar. Issue second RFP.
2	First round of MicroLead FSPs generate additional demand from other market leading FSPs beyond Asia and from the microfinance market in Myanmar to support entry of additional leading FSPs in Myanmar, which MicroLead is unable to finance.	Strategic	Programme is unresponsive to demand and fails to respond appropriately to market opportunities. <i>Probability = Medium</i>	Engage investors and funders to prepare for potential syndication of additional funding for further rounds of MicroLead for Myanmar.
3	FSP applications overstate outreach.	Strategic	Programme will not achieve outreach target <i>Probability = Medium</i>	Experience from existing MicroLead programme shows that majority of FSPs overstate outreach in application; discount outreach when evaluating applications.

4	FSPs are overstretched with home country or international programming	Strategic	Programme will not achieve outreach target due to FSP capacity limitations <i>Probability = Medium</i>	Due diligence on FSP will consider all operations, not only country for which application received. Experience to date for existing MicroLead grantees to be evaluated and taken into consideration. Support of direct UNCDF Staff.
5	Government endorsement not obtained.	Organizational	Programme will not achieve target when projected <i>Probability = Low</i>	Prior to Investment Committee RTA will submit Government endorsement letters.
6	Delays in FSPs receiving approval for formal licensing (as per the new MSE law) to operate	Organizational	Programme implementation could potentially be delayed and not achieve target when projected. <i>Probability= Medium</i>	Potential delays have been factored into the workplan and there will be parallel focus on building up capacity via training of staff while waiting for formal licenses.
7	Approved applicants do not proceed.	Organizational	Programme will not achieve target when projected <i>Probability = Low</i>	RFA will require applicant's board chair to sign letter approving project. Due diligence will include interviews with external equity investors to confirm their commitment.
8	Budget of FSPs are underfunded to cover FSP expansion costs.	Financial & Strategic	Programme will not achieve outreach target <i>Probability = Low</i>	Scoring criteria will favour FSPs that have secured a significant proportion of needed funds. Additional sources of funding from IFIs such as the World Bank, MIVs and IDBs such as the ADB and KfW can be approached for funds.

7	FSPs become insolvent, placing savings at risk.	Strategic and Organizational	Programme will not achieve outreach target Program suffers from reputational risk <i>Probability = Low</i>	RFA and due diligence processes will protect against selection of weak institutions, by ensuring that the FSP has adequate liquidity, reserves and regulatory oversight to protect against unforeseen losses. Releasing funds in tranches also mitigates potential loss of funds and related impact. FSPs will be regulated by MoF/CB
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9 Detailed Work Plan

Milestones and Activities	Year 0		Year 1				Year 2				Year 3				Year 4			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Output 1 : Sustainable Greenfield FSPs providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in Myanmar																		
MILESTONE 1: LAUNCH PROGRAMME																		
1.1 Negotiate agreement with LIFT																		
1.2 Execute agreement with LIFT																		
1.3 Issue RFA to FSPs																		
1.4 Endorsement Letters finalized and sent to Governments																		
1.5 Follow up until Government signature is obtained																		
MILESTONE 2: PROGRAMME STAFF IN PLACE																		
2.1 TOR for Programme Specialist																		
2.2. Hire and orient Programme Specialist																		
MILESTONE 3: SELECT GRANTEES																		
3.1 Publish TOR and make selection of consultant to review applications																		

3.2 Applications reviewed, on-site due diligence conducted and applications ranked for IC																			
3.3 Hold/Participate in IC																			
3.4 Communicate decision to applicants																			
MILESTONE 4: SIGN PBAs																			
4.1 Negotiate targets with FSPs if necessary																			
4.2 Execute PBAs with FSPs																			
MILESTONE 5: MONITORING AND DISBURSEMENTS																			
5.1 Disburse tranches as per PBAs and confirm receipt																			
5.2 Monitor performance and arrange TA if necessary																			
5.3 If necessary, renegotiate, suspend, terminate PBA based on FSP progress																			
Output 2: Knowledge generated and disseminated among FSPs, policy makers, donors and other stakeholders related to the financial behavior and preferences of poor people, product development, management of financial services, and Greenfield operations																			
MILESTONE 1: DISSEMINATE CASE STUDIES																			
1.1 Publish TOR for consultant																			
1.2 Select consultant																			
1.3. Conduct literature review																			
1.4 Travel / site review																			
1.4. Draft paper																			
1.5. Review/incorporate comments to first draft																			
1.7 Finalize/Edit case study																			
1.8 Translate case study																			
1.9. Document production (Design, printing)																			
1.10 Identify delivery channels																			
1.11 Disseminate case study																			
Milestones and Activities	Year 0		Year 1				Year 2				Year 3				Year 4				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
MILESTONE 2: FINANCIAL DIARIES RESEARCH PROGRAMME																			

2.1 National Scoping																			
2.2 Selection of staff and suitable locations																			
2.3 Commissioning of software for research tool (V.1)																			
2.4 First field trials of research tool																			
2.5 Preparation of interim report																			
2.6 Modification of research tool (V.2)																			
2.7 Testing of fully developed tool																			
2.8 Training of team to achieve full competency with tool																			
2.9 200 diaries completed																			
2.10 Publication in journal																			
2.11 Preparation of manuals for tool																			
2.12 Training for FSPs to enable use of tool																			
Output 3: Resources well managed and lessons learnt documented.																			
MILESTONE 1: MIDTERM AND FINAL EVALUATIONS CONDUCTED																			
1.1 Participate in existing MicroLead Final Evaluation																			
1.2 Support existing MicroLead Final Evaluation																			
1.3 Review report and recommendations																			
1.4. Prepare TORs for Final Evaluation consultants																			
1.5 Hire Consultants																			
1.6 Conduct Evaluation - desk review																			
1.7 Conduct Evaluation - site visits																			
1.8 Review Final evaluation report (to be available in 2017) and recommendations																			

10 Budget and Payment Schedule

10.1 Detailed Budget by Year¹³

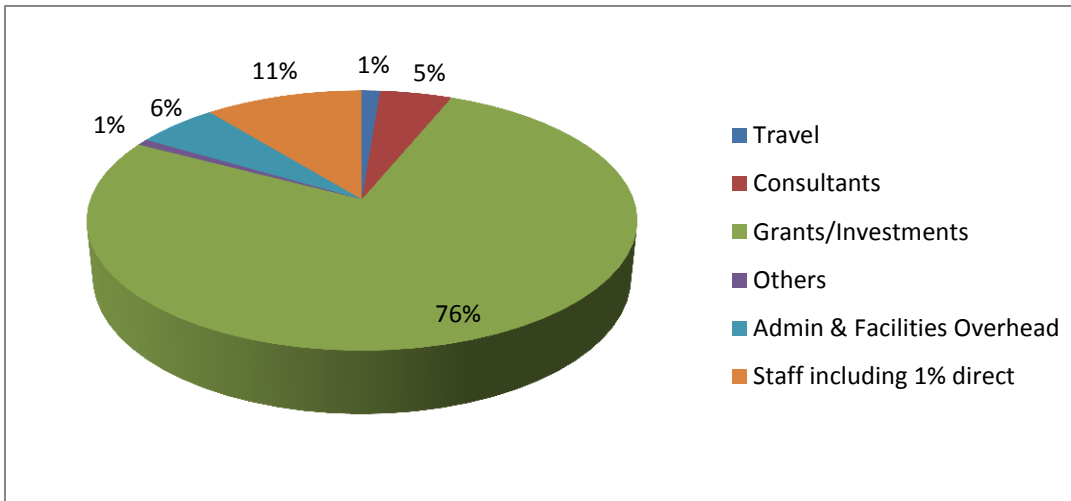
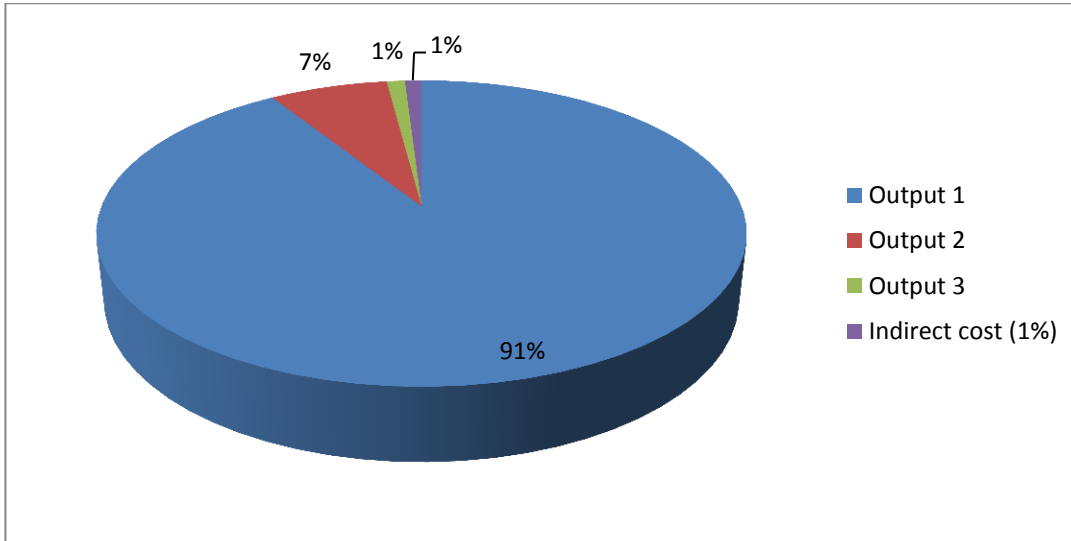
Activities	Description	Resource Allocation					
		Y0	Y1	Y2	Y3	Y4	Total
		Oct 2012- Dec 2012	Jan 2013- Dec 2013	Jan 2014- Dec 2014	Jan 2015- Dec 2015	Jan 2016- Nov 2016	
Output 1: FSP support							
Activity 1.1. Programme marketed, RFA issued, applications received and reviewed, due diligence missions made as needed, awards made, government endorsement obtained	Travel	3,500	4,000	-	-	-	7,500
	Consultants	4,000	3,000	-	-	-	7,000
Subtotal Activity 1.1		7,500	7,000	-	-	-	14,500
Activity 1.2. Grantees begin implementation, report as required by PBAs, receive tranches as conditions are met, STTA provided as needed	Travel	6,000	8,000	8,000	8,000	-	30,000
	Consultants	20,000	48,000	48,000	28,000	-	144,000
	Supplies	750	1,000	1,000	1,000	500	4,250
	Grants	-	1,269,772	1,269,772	1,269,772	1,269,772	5,079,088
Subtotal Activity 1.2		26,750	1,326,772	1,326,772	1,306,772	1,270,272	5,257,338

¹³ Summary of the key assumptions underpinning the project budget will be outlined on an annual basis in annual work-plans, starting from 2013.

Activity 1.3. Programme Specialist, based in Myanmar, provides in-depth monitoring, shares lessons among partners, contributes to case studies and briefs	Staff	50,000	232,090	243,694	172,133	-	697,917
	Office Costs	-	10,500	10,500	10,500	10,203	41,703
	Capital Assets (laptop, phone, furniture)	6,000	-	-	-	-	6,000
Subtotal Activity 1.3		56,000	242,590	254,194	182,633	10,203	745,620
Subtotal Output 1		90,250	1,576,362	1,580,966	1,489,405	1,280,475	6,017,458
Output 2: Knowledge Management							
Activity 2.1. Case studies, publications, presentations on lessons learned scaling up savings services	Consultants	-	-	12,000	-	12,000	24,000
	Editorial/Printing	-	-	2,000	-	2,000	4,000
	Travel	-	-	1,000	-	1,000	2,000
Subtotal Activity 2.1		-	-	15,000	-	15,000	30,000
Activity 2.2. Research programme aimed at increasing the understanding of financial lives, behavior, preferences, and needs of low income households and development of a research tool that will produce (i) insights for microfinance product design, (ii) a data-base for follow-up monitoring of product performance and modification, and (iii) a longitudinal data-base of changes in the financial behavior of poor households	Travel	-	9,400	9,400	4,600	3,550	26,950
	Consultants	-	43,750	43,750	17,500	17,500	122,500
	Grants	-	86,875	64,375	64,375	64,375	280,000
Subtotal Activity 2.2		-	140,025	117,525	86,475	85,425	429,450
Subtotal Output 2		-	140,025	132,525	86,475	100,425	459,450

Output 3: Project Management							
Activity 3.1 Senior Technical Advisor (Regional HQ) supervises programme operations and ensure targets are met or exceeded (approx 5% of time) (1% direct cost)	Staff	925	17,186	17,407	15,781	14,531	65,479
	Travel	2,200	2,200	2,200	2,200	2,200	11,000
Subtotal Activity 3.1 (1% direct cost)		925	17,186	17,407	15,781	14,531	65,479
Activity 3.2. Programme evaluation is conducted	Consultants	-	-	20,000	-	30,000	50,000
	Travel	-	-	5,000	-	5,000	10,000
Subtotal Activity 3.2		-	-	25,000	-	35,000	60,000
Subtotal Output 3 (Excluding 1% direct cost)		2,200	2,200	27,200	2,200	72,200	71,000
Subtotal (all outputs excluding 1%)		92,450	1,718,587	1,740,691	1,578,080	1,453,100	6,547,908
Administration and Facility (6%)	Admin & Facility Overhead (6%)	5,547	103,115	104,441	94,685	87,186	392,874
TOTAL		98,922	1,838,888	1,862,539	1,688,546	1,554,817	7,006,262

10.2 Budget Breakdown by Output and Cost Items



Annex 1: MicroLead Myanmar Programme Monitoring Framework (PMF)

	Narrative	Indicators (baseline/target and indicative timeframe)	Means of Verification (MoV)	Responsibilities
Specific Objective¹⁴: The outcome by the end of the programme (2016) will be increased sustainable access to appropriate demand-driven reasonably-priced responsible financial and non-financial products and services, with a focus on savings mobilization, to approximately 100,000 low income people, at least half of whom are women and at least half of whom reside in rural areas.				
Expected Output 1	<i>Sustainable Greenfield FSPs providing access to demand-driven, responsibly-delivered, savings-focused financial and non-financial products and services to low income people in Myanmar</i>			
	1.1 Market programme (a) Issue RFA (2012) (b) Review Applications (2012) (c) Hold IC (2013) (d) Make grant awards (2013) (e) FSPs implement business plans	Baseline¹⁵: # and % female and # and % rural of existing clients at FSPs receiving grants or technical assistance # of FSPs/TSPs with non-financial service products #of clients and depositors <u>Targets Year 1</u> -At least 2 grants issued to FSPs <u>Targets Year 2</u> -At least 2 FSPs have a credible plan for offering savings products. -20,000 increase in # of FSPs clients by end of 2013 -At least 2 FSPs are on trend to profitability in accord with business plans. <u>Targets Year 3</u> -40,000 increase in # of FSPs clients by end of 2014 -At least 2 FSPs are on trend to profitability and other financial indicators in accord with business plans. <u>Targets Year 4</u> -70,000 increase in # of clients by 2015 -At least 2 FSPs are on trend to profitability and other financial indicators in accord with business plans.	Responses to RFAs # of agreements signed Quarterly reports, as well as reports of on-site visits to FSPs Quarterly FSP reports, MIX market and final evaluation of MicroLead I (2014) Quarterly FSP reports, MIX market Quarterly FSP reports, MIX market and final evaluation of the	UNCDF External consultant to review RFA applications UNCDF & FSPs

¹⁴ MicroLead's specific objective will directly contribute to delivering output 2 of Pillar 1 of UNDP's programme, namely sustainable livelihoods and improved household income through increased access to financial resources, employment and economic opportunities.

¹⁵ The full list of indicators are attached in the MicroLead global programme annex R and Standard PBA annex I.

	Narrative	Indicators (baseline/target and indicative timeframe)	Means of Verification (MoV)	Responsibilities
	1.2 Recruit on-site Programme Specialist embedded into MicroLead FSPs to provide day-to-day technical support and guidance	<p><u>Targets Year 5</u></p> <p>-100,000 increase in # of clients by end of programme (50% of whom are female and 50% are rural) by 2016</p> <p>-FSPs continue to sustainably expand outreach after end of programme support contributing to an inclusive financial sector in their respective countries</p> <p>- One Programme Specialist hired</p>	<p>Expansion programme (2016)</p> <p>Evaluation reports</p> <p>Staff performance reviews</p> <p>Quarterly reports (both quantitative and narrative)</p>	
Expected Output 2	<i>Knowledge generated and disseminated among FSPs, policy makers, donors and other stakeholders related to the financial behavior and preferences of poor people, product development, management of financial services, and Greenfield operations.</i>			
	<p>2.1: Case studies and policy or programme briefs are researched and disseminated</p> <p>2.2: Research programme aimed at increasing the understanding of financial lives, behavior, preferences, and needs of low income households and development of a rapid market research tool and methodology based on 'financial diaries' that will produce:</p>	<p>Baseline: None</p> <p># of case studies and # of policy/program briefs</p> <p>Targets (by Year 2016):</p> <p>- 6 case studies produced on savings-focused methodologies</p> <p>- 6 policy or program briefs</p> <p># of rural and urban diaries completed</p> <p># of local experts/master trainers on tools trained and certified</p> <p># of entities fully adopt use of tool/method for market research and monitoring impact</p> <p>Tool and methods codified and available as a public good</p>	<p>Deliverables collected, reviewed and disseminated</p> <p>Feedback from all stakeholders on the value and utility of the deliverables from quarterly reports and the final evaluation</p> <p>Reports will be submitted to UNCDF at the end of 6 months and 12 months.</p> <p>At the end of the year UNCDF will constitute a</p>	<p>UNCDF & FSPs</p> <p>External technical consultants</p>

	Narrative	Indicators (baseline/target and indicative timeframe)	Means of Verification (MoV)	Responsibilities
	(i) insights for microfinance product design (ii) a data-base for follow-up monitoring of product performance and modification (iii) a longitudinal data-base of changes in the financial behaviour of poor households.	Targets (by Year 2016) - Modification of low cost software to develop the research tool complete with user manuals - Trial diary exercises will be carried out leading to completion of 200 (100 urban and 100 rural) - Publication of results in reputed journal - Fully trained local team (approximately 10 members) fully conversant with tool - Training of at least 5 entities to enable utilization of tool	Review Board to examine the achievements made to date, and a Report prepared	
Expected Output 3	<i>Resources well managed and lessons learnt documented.</i>			
	3.1 Programme evaluation 3.2 Programme Management	Baseline: None - Mid-term ¹⁶ and Final ¹⁷ evaluations (conducted where possible jointly with MCF-funded evaluations) are conducted and both reports are submitted to funders - One Senior Technical Advisor (Regional HQ) (5% of time) - All activities undertaken on time and outputs meeting and/or exceeding targets	Evaluation reports Staff performance reviews Quarterly reports (both quantitative and narrative)	UNCDF External evaluation consultants

¹⁶ Midterm evaluation is scheduled for June 2014.

¹⁷ Final evaluation will commence in Q4 2016 and the final report will be available for sharing in 2017.