Mid-term Evaluation of the Making Access to Finance More Inclusive for Poor People (MAFIPP) Program: Lao People's Democratic Republic (PDR)

Final Report

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in collaboration with

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Abbreviations and Acronyms

A2F	Access to Finance
ACCU	Asian Confederation of Credit Unions
ADA	*Appui au Développement Autonome*, Luxembourg
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AFP	Access to Finance for the Poor
APB	Agricultural Promotion Bank
ASEAN	Association of South East Asian Nations
AUD	Australian dollar
BB	Branchless banking
BCEL	*Banque pour le Commerce Exterieur Lao*
BCOME	BCEL's Community Money Express
BFL	*Banque Franco Lao*
BI	Lao PDR Banking Institute
BoL	Bank of the Lao PDR
BoPA	Bottom of Pyramids Associate
CARD-MRI	Center for Agriculture and Rural Development - Mutually Reinforcing Institutions
CGAP	Consultative Group to Assist the Poor
CPP	Client protection principle
CTA	Country Technical Advisor
CwE	Credit with Education
DAC	Development Assistance Committee
DFAT	Australian Department for Foreign Affairs and Trade (DFAT)
DFS	Digital financial services
DFWG	Digital Finance Working Group
DIM	Direct implementation modality
EMI	Ekphatthana Microfinance Institution
EoI	Expression of interest
EQ	Evaluation question
ETL	Enterprise of Telecommunications Lao
FGD	Focus group discussion
FIF	Fund for Inclusive Finance
FIPA	Financial Inclusion Practice Area
FISD	Financial Institutions Supervision Division
FSP	Financial service provider
GDP	Gross domestic product
GIZ	*Gesellschaft für Internationale Zusammenarbeit*, Germany
GMS	General management support
GNI	Gross national income
HDI	Human Development Index
HQ	Headquarters

IC	Investment Committee
IFC	International Finance Corporation
ITS	International Technical Specialist
KfW	*Kreditanstalt für Wiederaufbau*, Germany
LAK	Lao PDR kip
LADLF	Laos - Australia Development Learning Facility
LAFF	Lao Access to Finance Fund
LARLP	Laos - Australia Rural Livelihoods Program
LDB	Lao Development Bank
LDC	Least developed country
LPSI	Lao Postal Savings Institute
LSB	Lao Statistics Bureau
MAF	Ministry of Agriculture and Forestry
MAFIPP	Making Access to Finance more Inclusive for Poor People
MAP	Making Access Possible
MFA	Lao Microfinance Association
MFC	Microfinance Center
MFI	Microfinance institution
MFMCC	Microfinance Master Certificate Course
MFWG	Microfinance Working Group
MicroLead	Microfinance Leaders
MIS	Management information system
MM	Mobile money
MM4P	Mobile Money for the Poor
MNO	Mobile network operator
MoF	Ministry of Finance
MPI	Ministry of Planning and Investment
MPT	Ministry of Post and Telecommunications
MSME	Micro, small and medium enterprise
NCRDPE	National Committee for Rural Development and Poverty Eradication
NGPES	National Growth and Poverty Eradication Strategy
NIM	National implementation modality
NSEDP	National Socio-Economic Development Plan
NSO	Network support organization
OECD	Organization for Economic Cooperation and Development
OSS	Operational self-sufficiency
OTC	Over the counter
PAR	Portfolio at risk
PBA	Performance-based agreement
PDR	People’s Democratic Republic
PI	Program indicator
PMC	Program Management Committee
ProDoc	Program document

ROA	Return on assets
RoSCA	Rotating Savings and Credit Association
SBFIC	Savings Banks Foundation for International Cooperation, Germany
SCU	Savings and credit union
SCU HP	Savings and Credit Union Huamchai Phatthana
SCU LP	Savings and Credit Union Luang Phrabang
SIDA	Swedish International Development Cooperation Agency
SME	Small and medium enterprise
TA	Technical assistance
ToR	Terms of reference
TSP	Technical service provider
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
UNEG	United Nations Evaluation Group
USD	United States dollar
UXO	Unexploded ordnance
WBG	World Bank Group
XMI	Xainiyom Microfinance Institution

Executive Summary

Program Overview. This report covers the mid-term evaluation of the ***'Making Access to Finance More Inclusive for Poor People' (MAFIPP) program*** in Lao People's Democratic Republic (PDR); a program implemented and partly funded by the United Nations Capital Development Fund (UNCDF) with cofinancing from Australia's Department for Foreign Affairs and Trade (DFAT). With a ***USD 9.7 million budget*** and a duration of seven and a half years, the program aims to increase "access to financial services by low-income households and micro-entrepreneurs on a sustainable basis to an additional 408,000 active users of financial services by end 2017, with a minimum of 300,000 additional active users". In seeking to address the numerous challenges and constraints of the Lao PDR microfinance sector at the time of program preparation, MAFIPP has adopted a ***holistic market development approach*** by providing support not only at the micro level, i.e. financial service providers (FSPs) and providers of digital financial services (DFS), but also at the meso (support infrastructure) and macro (policy and regulatory) levels. In order to support the achievement of intended results, the MAFIPP program is organized around two complementary lines of activities; namely capacity building (in the form of training and/or technical assistance [TA] coupled with financial support) and knowledge sharing (including coordination and dialogue with relevant national and international stakeholders). Finally, through its all-round approach, the MAFIPP program seeks to complement other concurrent donor initiatives in the field of financial access/inclusion and 'fill the gaps' in order to support a comprehensive development of the Lao PDR microfinance sector and related environment as a whole.

Evaluation Purpose and Approach. The evaluation seeks to support both ***accountability and learning*** by: (i) assessing the program with regard to the five evaluation criteria of relevance, efficiency, effectiveness (to date), (possible) impact, and (prospects for) sustainability as well as with regard to a number of cross-cutting themes; (ii) identifying strengths and weaknesses of program implementation to date; and (iii) outlining a set of recommendations towards supporting the final years of program implementation and informing the possible extension/scaling-up and/or replication of the program. In line with the holistic approach of the MAFIPP program, the analysis ***focuses on various levels***; namely: (i) MAFIPP supported FSPs as well as DFS providers at micro level; (ii) broader financial inclusion environment (macro, meso and market level); and (iii) clients of MAFIPP supported FSPs. The evaluation process has been ***structured around a 'theory of change' framework and an evaluation matrix***. It has involved the elaboration of a data collection toolkit to support the various components of the evaluation; namely: (i) documentary review; (ii) quantitative FSP performance data collection; (iii) interviews with global, macro, meso, market, and micro level stakeholders; and (iv) focus group discussions (FGDs) and structured interviews with clients. Lastly, the evaluation ***covers the period between June 2010 and December 2015***.

Relevance and Quality of Design. The client driven design of the MAFIPP program is generally aligned with the national policy and planning framework for the promotion of growth and reduction of poverty. MAFIPP fits well with other, complementary, donor initiatives in the country and is the ***only program to have adopted a truly comprehensive multilevel approach***. The concurrent support to microfinance market development at all levels is considered ***suitable to the infancy stage of the Lao PDR microfinance sector*** at the time of program preparation. The program has made appropriate use of the national implementation modality (NIM) in ***support of ownership and leadership on part of the implementing agency*** - namely the Financial Institutions Supervision Division (FISD) / Bank of Lao PDR (BoL) - as well as successfully leveraged other UNCDF global programs and instruments. On a final note, however, following additional funding from DFAT and a three-year extension, the outcome target was revised upwards (perhaps too) ambitiously.

Efficiency of Management and Quality of Activities. In terms of cost-effectiveness, considering the market development approach of the MAFIPP program, it involves a ***relatively reasonable average client acquisition cost*** of USD 55 as well as a considerable bolstering of formal savings (215% of actual program expenditure) to date. Program management, supported by a qualified and fully resourced team, has successfully established a ***very good working relationship with the implementing agency*** (FISD/BoL). Even if NIM has entailed delays in decision making and implementation, the program has been able to make flexible use of resources, allowing for reorientation of activities when necessary. The ***effective use of performance-based agreements*** (PBAs) has promoted outreach towards defined targets. Even if with some gaps (primarily related to the collection of client data), the monitoring framework is deemed adequate. Furthermore, the program includes good oversight mechanisms, but not ***enough strategic support for higher level political engagement***. The creation of a USD 2.5 million competitive financing facility – the ***Fund for Inclusive Finance (FIF)*** - in July 2014 provides micro and meso level institutions with support across nine thematic areas. Eight calls and six awards have successfully been published to date, but institutions are challenged by the difficult application process and some eligibility criteria and additional donor contributions have yet to materialize. Finally, recipients at all levels are generally satisfied with training and TA support received as well as with numerous exposure visits and other capacity building events.

Effectiveness to Date. At micro level, through the Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI) with funding from the UNCDF Microfinance Leaders (MicroLead) initiative, the MAFIPP program has provided ***comprehensive individualized training and TA support to four FSPs*** (the 'CARD grantees'); namely deposit taking Ekphatthana Microfinance Institution (EMI), non-deposit taking Xainiyom Microfinance Institution (XMI), Savings and Credit Union (SCU) Huamchai Phatthana (HP), and Savings and Credit Union (SCU) Luang Phrabang (LP). MicroLead funding (but no TA support) has also been provided to ACLEDA Bank Laos (ACLEDA) for the opening of five new service units in rural areas. Important achievements on part of the four CARD grantees include the ***differentiation of credit products*** (including the launch of six new products), the ***promotion of the center methodology approach to delivery*** (successfully institutionalized by two CARD grantees; namely EMI and XMI), and (also for ACLEDA) the ***extension of services into new districts*** (with physical presence in 26 districts across 10 provinces as of December 2015). Although performance for all five MicroLead supported FSPs (i.e. the four CARD grantees and ACLEDA) has varied and they have been faced with challenges in reaching the defined PBA targets, the MicroLead FSPs as a group register sizeable growth in the number of savers and borrowers (and improving loan portfolio for the four CARD grantees). Individual assistance at the micro level has also involved, through FIF, (potential) DFS providers; most notably *Banque pour le Commerce Exterieur Lao* (BCEL), Enterprise of Telecommunications Lao (ETL), and Unitel. Although MAFIPP support has raised awareness of challenges and opportunities with the provision of DFS, only one DFS pilot (BCEL) has been launched to date.

At meso level, the MAFIPP program has, in collaboration with other donors, supported the work of the ***Microfinance Association (MFA)***, most notably with regard to the development and implementation of a comprehensive Microfinance Master Certificate Course (MFMCC). During the course of the program, MFA has ***successfully transformed from an informal working group into a registered and established sector association***. It now provides effective training and capacity building (including the MFMCC) as well as advocacy services and is recognized as an industry representative with 53 MFI and SCU members (including three-quarters reporting performance data and a growing number contributing financially and/or in senior management time to the association). Additional program assistance at the meso level includes support to the Higher Diploma in Microfinance of the Banking Institute (BI), strengthening the capacity of the Microfinance Center (MFC) to deliver training to the microfinance sector, and microfinance targeted audit training to external audit/accounting firms.

At macro level, the MAFIPP program has provided substantial capacity building and sensitization support for the strengthening of capacity and practices of FISD/BoL. In particular, it has promoted the engagement in industry dialogue (through annual forums and dedicated working groups), the ***creation from scratch of an initial regulatory framework for the development of DFS*** and granting of three pilot licenses, and the ***implementation of Making Access Possible (MAP), an evidence-based diagnostic and programmatic framework*** (which represents an exceptional and participatory policy effort on part of BoL).

Finally, with regard to outcome achievement, with a 56% attainment of the end-of-program target for traditional financial services and delivery of DFS yet to take off, the MAFIPP program is ***struggling to reach the (perhaps too) ambitiously set outreach targets***. It has not been possible to ascertain actual outreach to intended beneficiaries (i.e. 'low-income' clients).

Possible Impact. At macro level, the MAFIPP program has ***created a supportive DFS regulatory environment***, but has to date only had an ***indirect influence on the more general regulatory microfinance framework, which is***, although improving, on the whole currently ***not considered as favorable for growth*** for the typically small FSPs (and draft regulations cause uncertainty, even if BoL seems to apply a rather flexible approach towards accommodating the needs of the sector). Final outcomes of the MAP process have yet to be proven, with ***ensuring higher level political support representing the main challenge***. At meso level, the ***possibly imminent recognition of MFA as permanent association*** would further strengthen its role as an acknowledged representative body for the microfinance industry. At market level, the program has had ***limited demonstration effects*** with little knowledge management and dissemination efforts beyond DFS to date. At micro level, during the course of the program, the ***four CARD grantees have gained shares in the microfinance market***, accounting, as of December 2015, for 61% of all savers, 43% of all borrowers and 30% of the savings and credit portfolio. The CARD grantees ***generally perform better than their peers in the non-supported sector*** with regard to several profitability ratios. The recent deterioration in portfolio quality for the market as a whole has also been less significant for the CARD grantees. Finally, at client level, ***three-quarters of consulted clients were formerly 'unbanked'***, namely without access to formal financial services before being reached by the five MicroLead FSPs. Generally satisfied with the services provided, clients call for more flexible repayment schedules and higher loan amounts. ***Almost all claim to manage their money better and save more than before*** and ***three-quarters report on self-perceived improvements*** thanks to the services used (including more or steadier income, easier cash flow management, and greater ability to cover educational expenses).

Prospects for Sustainability. At micro level, two CARD grantees (namely ***EMI and XMI***) ***have institutionalized their commitment to expand outreach***, while ***the two SCUs are still struggling and in need of further institutional support***. The structure of funding has generally evolved with an increase in the mobilization of deposits and less reliance on donations on part of the FSPs. ***MAFIPP facilitation of foreign equity investment in XMI*** and additional funding from FIF to both EMI and XMI provide welcome efforts to sustain results. ***DFS providers are generally challenged by the need for large upfront investments*** for the scaling up of services. At meso level, prospects for MFA look promising, even if it is not yet financially sustainable (with MFMCC being crucial for income generation). At macro level, ***securing political commitment beyond BoL to financial inclusion as a cross-cutting area in its own right remains the primary strategic concern of the program***. Furthermore, as ***FISD resources are not enough*** to meet additional responsibilities and increasing workload, there is still need for further donor assistance. Finally, with regard to contextual factors, ***reduction in donor support*** (either because of cuts in or diversions of funds) ***would jeopardize sustainability at all levels***.

Cross-cutting Themes. Gender outreach is addressed in targets and tracked by the program (as well as by FSPs and MFA) and women are partly recognized as a priority segment at the macro level, but ***no particular national (or program) strategy has been developed for female financial inclusion***. However, national findings do not point to substantial differences in male and female financial access. Most stakeholders recognize an access gap on part of some minority ethnic groups, but no formal actions have been taken or strategies developed to address this gap. Youth has been identified by the program as a ***potential target market*** and youth outreach is now tracked and supported through FIF funding to EMI. Financial literacy is ***identified by the MAP roadmap as a fundamental need for all target market segments***, but, without dedicated resources, the program has not placed enough emphasis on or provided sufficient support for the provision of financial education to date. Recognition of client protection principles has been ***strongly supported by the MAFIPP program at all levels***, even if monitoring of actual implementation on part of FSPs seems weak. Client protection is also acknowledged as a priority by the MAP roadmap.

Conclusions and Recommendations. On the whole, the MAFIPP program, through its holistic market development approach as well as its attention to promote national ownership and leadership with FISD/BoL as the implementing agency, has ***effectively supported the building of capacity at all levels***. A ***relatively cost-effective and generally well managed program***, supported by a competent team of professionals, has, despite delays in implementation, realized some ***notable achievements to date***; including: (i) the creation of a financing facility for the provision of support to FSPs, DFS providers and meso level institutions; (ii) the transformation of an informal working group into an established and recognized industry association; and (iii) the implementation of an unprecedented and participatory policy process on financial access. While recognizing these important accomplishments, the MAFIPP program also faces a ***number of challenges*** until (and beyond) the end of the program; for example: (i) ensuring higher level political commitment to the MAP roadmap (and DFS) in particular as well as to financial inclusion as a cross-cutting theme in its own right in general; (ii) limited market demonstration effects; and (iii) securing additional funding for FIF beyond the term of the program.

Based on the findings of the evaluation, the Consultant proposes the following five main recommendations:

1. A ***clearer definition and strategic orientation*** on part of the program towards further refining what MAFIPP intends with financial inclusion and how it fits into the newly developed country strategy for financial access (i.e. the MAP roadmap). In general, more emphasis on outreach into priority poor districts and/or rural areas is recommended (even if expansion into more areas is challenging within the nascent Lao PDR context) towards further promoting the reaching out to the intended beneficiaries of the program; namely the ‘low-income’ segment, or indeed the ‘poor’.
2. A ***stronger focus on the provision of financial education*** in order to foster the intended impact on final beneficiaries, i.e. “improved financial literacy knowledge/skills and capability to make financial/investment decisions”.
3. ***Leverage MFA as a channel for knowledge management and dissemination of best practices*** in order to support market demonstration and replication effects as well as the development of (voluntary) professional standards by and within the industry itself.
4. Attempt to ***bring microfinance funding efforts under the same umbrella*** for the creation of a truly multidonor funding platform in Lao PDR. Continued efforts to crowd in and facilitate investments in FSPs from both regional and global investors are also recommended (a service to possibly be extended also to DFS providers).
5. More strategic efforts on part of UNCDF (possibly with the support of the UNDP Resident Representative in Lao PDR as well as DFAT and/or other donors working towards the same goal) in order to ***solicit higher level political support*** for financial inclusion/access across the country.

1 Introduction

The mid-term evaluation (hereinafter the 'evaluation' or 'assignment') of the 'Making Access to Finance More Inclusive for Poor People' (MAFIPP) program in Lao People's Democratic Republic (PDR) - implemented and partly funded by the United Nations Capital Development Fund (UNCDF) with cofinancing from Australia's Department for Foreign Affairs and Trade (DFAT) - was carried out by Microfinanza Srl and Microfinanza Rating Srl (hereinafter collectively referred to as the 'Consultant'). It engaged a team of five professionals (including one team leader, one technical director, one senior evaluator, one junior evaluator, and a Lao PDR microfinance consultant) between February and June 2016.

This evaluation report is structured as follows:

- Section 2 presents the scope and purpose of the evaluation;
- Section 3 summarizes the main features and current status of the MAFIPP program;
- Section 4 provides a brief overview of relevant contextual factors;
- Section 5 describes the methodological approach of the evaluation;
- Section 6 presents the main findings structured around the five key evaluation areas of relevance, efficiency, effectiveness, (possible) impact, and (prospects for) sustainability as well as a cross-cutting area covering the themes of gender, ethnic groups, youth, and financial education & client protection (and environmental sustainability);
- Section 7 proposes the main conclusions and recommendations based upon the findings; and
- Section 8 outlines considerations for gender and human rights as well as ethical principles.

The report also includes a number of annexes, as attached following the main text.

2 Evaluation Purpose and Scope

As outlined by the Terms of Reference (ToR, p.35), the overall objectives of this independent mid-term evaluation of the MAFIPP program are to: (i) assess the program with regard to the five Organization for Economic Cooperation and Development (OECD) / Development Assistance Committee (DAC) evaluation criteria of relevance, efficiency, and effectiveness (namely output delivery and outcome achievement) to date as well as (possible) impact and (prospects for) sustainability;[1] (ii) identify strengths and weaknesses of program implementation to date; and (iii) outline a set of recommendations (and lessons learned) towards supporting the achievement of intended program results by the expected completion date as well as for the possible extension / scaling-up and/or replication of the program. The evaluation hence serves a two-fold purpose, namely to support both ***accountability and learning*** towards informing UNCDF and DFAT as well as the implementing national partner, Bank of Lao PDR (BoL) / Financial Institutions Supervision Division (FISD), and the MAFIPP program team about the results of the program to date.

Within this context, and in line with the holistic approach of the MAFIPP program (see Section 3.1 below), the analysis focuses on various levels; namely:

- Micro level – performance of ***MAFIPP supported financial service providers (FSPs)***, the intermediate beneficiaries, including types of financial services developed and provided, delivery channels used, types of clients reached (by gender, rural/urban location, age, etc.), overall financial performance, etc. The micro level also includes financial institutions making use of agents equipped with digital devices and mobile network operators (MNOs) engaged in the development of mobile money services; hereinafter collectively referred to as '***providers of digital financial services (DFS)***'.
- ***Broader financial inclusion environment*** (macro, meso and market level) – influence on (and prospects for sustainability of possible changes in) the policy and regulatory framework (including capacity of the BoL/FISD) and financial sector support infrastructure - most notably the capacity of the Lao Microfinance Association (MFA) and the Lao Banking Institute (BI) - as well as possible market demonstration effects (i.e. positive externalities for non-MAFIPP supported FSPs).[2]
- Client level - satisfaction with and use of new services and/or delivery channels as well as self-perceived changes as a result of the use new services (and/or delivery channels) on part of the final beneficiaries, i.e. the ***clients of MAFIPP supported FSP***.

At the micro level, the MAFIPP program (with grant funding from the UNCDF Microfinance Leaders [MicroLead] initiative)[3] has supported ***ACLEDA Bank Laos*** (hereinafter 'ACLEDA') as well as, through the Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI) (hereinafter 'CARD'), deposit taking ***Ekphatthana Microfinance Institution (EMI)***, non-deposit taking ***Xainiyom Microfinance Institution (XMI)***, ***Savings and Credit Union (SCU) Huamchai Phatthana (HP)***, and ***Savings and Credit Union (SCU) Luang Phrabang (LP)*** – hereinafter also collectively referred to as the 'CARD

[1] Since the MAFIPP program has yet to finish, the evaluation has focused primarily on the areas of relevance, efficiency and effectiveness (to date). When feasible (i.e. where program support has already reached a certain level of 'maturity'), the evaluation has also sought to conclude on (possible) impact and (prospects) for sustainability, but in some cases (i.e. with regard to certain, more recent, program initiatives or efforts) only tentative assumptions with regard to these two evaluation areas have been made.

[2] The broader financial inclusion environment also includes the 'ecosystem' for the development of DFS, including the regulatory framework for the provision of DFS (macro level).

[3] MicroLead, established in 2009, is a global UNCDF initiative that seeks to support the development and roll-out of deposit services on part of regulated FSPs. Funded by the Bill & Melinda Gates Foundation and the MasterCard Foundation (as well as, in Myanmar, by the Livelihoods and Food Security Trust Fund – LIFT), MicroLead specifically targets outreach in rural areas through the provision of demand driven and reasonably priced products through alternative delivery channels and in combination with financial education. The initiative has supported a total of 29 projects (and 39 FSPs) in 21 countries to date. See further http://www.uncdf.org/en/microlead

grantees' as well as, together with ACLEDA, 'MicroLead FSPs'.[4] In addition to these five FSPs, the MAFIPP program, through the Fund for Inclusive Finance (FIF) launched in July 2014, is also supporting another two non-deposit taking microfinance institutions (MFIs), namely Phatthana Oudomxay and Sasomsub (hereinafter also the 'FIF grantees'). However, since neither of these two institutions has yet launched FIF supported services (or methodologies),[5] the primary focus of the evaluation at the micro level has been placed on the five MicroLead FSPs, i.e. ACLEDA, EMI, XMI, SCU HP, and SCU LP. Through FIF, the MAFIPP program is also extending further support to two of the CARD grantees; namely EMI and XMI, respectively awarded a grant and a loan in 2014. Annex 1 provides an overview of the key characteristics of and support received by the five MicroLead FSPs and the two FIF grantees.[6]

Furthermore, also through FIF, MAFIPP is supporting three DFS providers, namely *Banque pour le Commerce Exterieur Lao* (BCEL), a state-owned commercial bank, as well as two MNOs, Enterprise of Telecommunications Lao (ETL) and Unitel. All three providers were granted DFS pilot licenses by the BoL in 2015 and while BCEL launched its MAFIPP supported pilot services in June 2015, Unitel is still in the preparation phase (with the MAFIPP program assisting in the selection of a vendor for the IT platform). At the end of 2015, ETL unexpectedly called off the technical assistance (TA) agreement.[7]

Finally, the evaluation covers Lao PDR (with MAFIPP supported FSP branches and services units in the Northern, Central and Southern parts of the country) and the period ***from June 2010*** (the start of the program) ***up until December 2015***.

Box 1. The MAFIPP program and the Laos - Australia Rural Livelihoods Program (LARLP)

DFAT support to the MAFIPP program falls within the framework of the 'Laos - Australia Rural Livelihoods Program' (LARLP), a AUD 43 million initiative launched in January 2014. LARLP seeks to "increase the economic security and resilience of poor women and men in rural areas by providing improved access to social protection, financial services, productive assets and capacity to generate income" (ToR, p.31) and is structured around the following four components: (i) social protection and social livelihoods; (ii) financial inclusion; (iii) unexploded ordnance (UXO) clearance and awareness; and (iv) the Laos - Australia Development Learning Facility (LADLF). The financial inclusion component in turn consists of two sub-components; namely the MAFIPP program and the 'Access to Finance for the Poor' (AFP) initiative of the German development cooperation GIZ (*Gesellschaft für Internationale Zusammenarbeit* – see further Box 2 in Section 3.1 below).

[4] CARD was originally supposed to support a cluster of eight FSPs, but due to a lack of readiness (or unwillingness) to accommodate support on part of some institutions (namely Sipsacres, SCU Paksong, SCU Seno, and SCU Thakek), a decision was taken at the end of 2011 to focus resources only on EMI, XMI, SCU HP, and SCU LP. CARD initially explored potential partnerships with other FSPs, but no real substitute candidates were found.

[5] The TA agreement with Phatthana Oudomxay was signed at the end of 2015, but FIF supported services have yet to commence (TA consultant still to be contracted). Sasomsub has been awarded a FIF grant, but the TA agreement has not yet been signed (currently under finalization).

[6] The MAFIPP program was also expected to provide capacity building support and additional assistance to the Lao Postal Savings Institute (LPSI) for its transformation into a deposit taking MFI and for the parent company *Entreprise des Postes du Laos* (EPL) to pilot innovative payment services through postal offices. In 2015, however, the TA plan was postponed (upon the request of LPSI) until high level national stakeholders - namely BoL, Ministry of Finance (MoF) and Ministry of Post and Telecommunications (MPT) - reach consensus around the transformation and supervision of LPSI.

[7] Due to a change in management and lack of additional funding to support the proposed investment. A possible merger with Lao Telecom Company (LTC) is seemingly also under consideration.

3 Program Profile

3.1 Program Description and Background

As specified in the ToR (p.30), the ultimate goal (key United Nations Development Assistance Framework [UNDAF] outcomes) of the MAFIPP program is to "contribute to improved and equitable access to land, markets and social and economic services, as well as to an enabled environment for growth with equity" by seeking to increase "access to financial services by low-income households and micro-entrepreneurs on a sustainable basis to an additional 408,000 active users of financial services by end 2017, with a minimum of 300,000 additional active users" (program specific outcome, hereinafter 'Outcome'). Lao PDR, a sparsely populated country with a poor, very young and mostly rural population, is transitioning from a planned to a market economy. At the time of program scoping and preparation, the nascent financial sector was dominated by a few state-owned commercial banks, even if private sector presence was increasing and the number of MFIs were on the rise. In 2004, less than 25% of the population had access to formal financial services, with formal access even lower in rural areas (only 5% of rural households held a savings account in a bank). Particularly limited access to credit on part of enterprises, especially micro and small businesses, constituted a serious constraint for the starting up and developing of economic activities. At the macro level, the country was characterized by underdeveloped regulation and supervision capacity, prudential standards, branchless/mobile banking policy framework, and monitoring systems (especially with regard to social impacts). At the meso level, the microfinance sector suffered from a lack of technical service providers (TSPs), poor accounting standards, lack of stakeholder coordination, inadequate funding, and absence of information exchange. Finally, at the micro/market level, important gaps included insufficient technical capacity, undeveloped commercial funding sources, weak governance, lack of infrastructure and poor service delivery in remote (rural) areas, and inadequate and inappropriate supply of financial products/services.[8]

In seeking to address these challenges and constraints, the program has adopted a ***holistic market development approach*** by providing support not only at the micro/market (i.e. FSP) level, but also at the meso (support infrastructure) and macro (policy and regulatory) levels. More specifically, the program seeks to enhance the capacity of:

- Policy makers and regulators – most notably BoL – to improve the policy and regulatory environment in line with the operational realities of FSPs in Lao PDR and accepted good international practices (Output 1 – macro level);
- The financial sector support infrastructure – namely the BI and the MFA (but also other service providers, such as auditors) - to meet the needs of FSPs (Output 2 – meso level); and
- FSPs (and DFS providers) to better respond to the financial services needs of poor households and micro-entrepreneurs, especially in remote (rural) areas (Output 3 – micro/market level).

In order to support the achievement of intended results, the MAFIPP program is organized around two complementary lines of activities; namely capacity building (in the form of training and/or TA coupled with financial support) and knowledge sharing. ***Capacity building*** efforts at the various levels include:

- Macro – targeted training (in auditing, licensing review, English, etc.); exposure visits / study tours and participation in relevant international events; TA for the drafting of regulations (DFS, leasing); the implementation of a Making Access Possible (MAP) diagnostic exercise and roadmap process; and other data collection support.

[8] Background information and figures taken from the program document (ProDoc, pp.11; 14-17) and ToR (p.32).

- Meso – TA and financial support for the transition (and institutional strengthening) of the Microfinance Working Group (MFWG) into the MFA; TA for the development of in-country microfinance curricula (BI's Microfinance Higher Diploma and MFA's Microfinance Master Certificate Course [MFMCC]); and training of auditors (and possibly also other business service providers).
- Micro – TA and financial support to selected FSPs for institutional strengthening and development of markets, products/services and alternative delivery mechanisms; and TA and financial support to DFS providers for the piloting of services.

With regard to TA and financial support at the micro (and meso) level, the program has also included the ***establishment of a coordinated donor funding mechanism***; the FIF. Furthermore, it should be noted that some activities (notably the MAP diagnostic and roadmap process and support for the piloting of DFS) were not originally envisaged at the stage of program design, but added midway thanks to substantial additional funding from DFAT as well as the engagement of another UNCDF initiative, namely Mobile Money for the Poor (MM4P),[9] in order to further support the market development approach of the program.[10]

Knowledge sharing measures include: (i) coordination and dialogue with relevant national (and international) stakeholders, including organization of the annual Lao PDR Microfinance Forum; (ii) publication and dissemination in Lao of relevant international documentation (handbooks and other material for the sharing of best practices, etc.); and (iii) promotion of standardized reporting tools in order to improve accountability and transparency.

A visual presentation of the program results chain set within a 'theory of change' framework, as interpreted and reconstructed by the Consultant, is presented in Annex 2 (pages to be laid out next to each other in horizontal order). **Result chain components are presented in red**, **assumptions in green** and **actors at various levels in purple**, while **references to initial contextual challenges/constraints and ultimate program goal** (as presented in the beginning of this section) **are set in blue**. The arrows represent intended causal links as understood by the Consultant (and validated during the Inception Phase), although they do not necessarily mean that the links have in fact been proven (either because of the lack of data or evidence or/and because of the existence of many other influencing, external, factors for which the Consultant cannot control).

Finally, Box 2 on the following page provides an overview of other concurrent donor initiatives in the field of financial access and inclusion in Lao PDR.[11] Through its all-round approach, the MAFIPP program seeks to complement these various other efforts and 'fill the gaps' in order to support a comprehensive development of the microfinance sector and related environment as a whole.

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[9] MM4P is a global UNCDF program aiming to support branchless and mobile financial services in a selected group of least developed countries (LDCs) between 2014 and 2019. With funding from the Bill & Melinda Gates Foundation and the MasterCard Foundation as well as DFAT and the Swedish International Development Cooperation Agency (SIDA), it is currently active in another seven countries in addition to Lao PDR (namely Benin, Liberia, Malawi, Nepal, Senegal, Uganda, and Zambia). See further http://www.uncdf.org/en/MM4P

[10] To adjust to this increase in funding and additional activities, the ProDoc was amended in December 2014 (see further Section 3.2 below).

[11] Some of the information in Box 2 have been retrieved from the "Access to Finance in Laos Donor Organizations Profile" prepared by the International Finance Corporation (IFC) in connection with a financial sector scoping workshop hosted by IFC / World Bank Group in June 2015.

Box 2. Other donor supported initiatives related to financial access/inclusion

Agence Française de Développement (AFD) is currently facilitating access to finance for SMEs through the provision of a risk sharing mechanism ('ARIZ') to *Banque Franco-Lao*.

Appui au Developpement Autonome (ADA) of Luxembourg has provided support to MFA since 2010 (since 2012 as part of a broader regional project including also microfinance associations in Cambodia and Vietnam). With a total funding around USD 430,000 over the 2010-2016 period, ADA has supported: (i) the professionalization of the association; (i) capacity building to improve the delivery of services (including curricula development for the MFMCC); and (iii) coordination and communication within and across border (data collection). The Luxembourg government has also provided general support to BI as well as training of MFC staff.

The Asian Development Bank (ADB) has actively promoted financial access in Lao PDR (especially in rural areas and in support of SMEs) through direct capacity building and support for regulatory reform between 2006 and 2014 (including the 2007-2014 'Northern Region Sustainable Livelihoods through Livestock Development' project supporting credit access through village funds as well as the 'predecessor' to the MAFIPP program, i.e. the 'Catalyzing Microfinance for the Poor' project). It is currently reviewing opportunities (possibly related to trade financing) for reengagement.

The 2009-2017 'Access to Finance for the Poor' (AFP) program - commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ), funded by DFAT (see Box 1 in Section 2 above), and implemented by *Gesellschaft für Internationale Zusammenarbeit* (GIZ) through FISD/BoL - seeks to build the capacity of seven or eight network support organizations (NSOs), about-to-be licensed financial intermediaries, covering around 500 village funds in rural areas across 21 districts in six provinces. GIZ support to FISD/BoL also includes the drafting of a client protection decree and promotion of a national strategy on financial education (financial literacy is in fact an important focus of the program). Finally, GIZ is also engaged with MFA having supported the MFMCC delivery as well as the current adaptation of the curricula to local circumstances.

The 'Access to Finance' (A2F) initiative of the International Finance Corporation (IFC) is primarily providing regulatory support to BoL, including: (i) drafting of a legal framework for the creation of a credit information bureau (established with BoL in 2007); (ii) improvement of the national payment system (drafting of decree and accompanying guidelines); (iii) secure transactions (first phase completed in 2014 with the law on secure transactions in place, while second phase will support the registration of movable assets and enforcement; and (iv) drafting of leasing decree. IFC is also providing capacity building to the Lao Bankers' Association (BA) to support efforts at regulatory (macro) level and has provided ACLEDA with a USD 9 million loan for on-lending to SMEs. Finally, albeit with seemingly limited outreach so far, IFC recently started facilitating a guarantee line and TA grant through *Banque Franco Lao* (BFL) to support the refinancing of women-led businesses.

In 2014, Germany's *Kreditanstalt für Wiederaufbau* (KfW) set up a EUR 3 million revolving fund with the Banking Supervision Division of BoL. The Lao Access to Finance Fund (LAFF) provides loans with 10% interest rate for onlending to clients. At the time of the in-country visit a first tranche of EUR 1.5 million had already been disbursed to and onlent by ACLEDA. Some 650 clients (with loans ranging from EUR 500 to EUR 20,000) were reached in the first three months of piloting at a selected number of branches/service units (none of which included the service units established with MicroLead support).

The Savings Banks Foundation for International Cooperation (SBFIC), with BMZ funding, has worked with the Lao Women's Union (LWU) since 2009 towards professionalizing village funds and assisting in the setting up a women-oriented MFI, namely the Women and Family Development Fund (WFDF). SBFIC also provided initial support to the development of the MFMCC curricula, as well as, together with CARD, assists MFC in becoming a professional training center for the microfinance sector.

In 2014, the World Bank committed to a USD 20 million initiative (half grant, half credit) to be set up with the Department for Small and Medium Enterprise Promotion (DOSMEP) with the Ministry of Industry and Commerce (MIC) in support of the growth and expansion of small and medium enterprises (SMEs). The 'SME Access to Finance' project will have three main components, namely: (i) lines of credit to commercial banks; (ii) risk sharing facility; and (iii) TA.

3.2 Current Program Implementation and Financial Status

Current Implementation Status

The MAFIPP program was ***launched in June 2010*** and originally intended to close in December 2014 (program duration of 54 months). However, the implementation of some program activities in the first couple of years was delayed due to an initial lack of funding (see below). As of 2013, the program secured significant supplementary funding from DFAT (for the support of both originally envisaged and additional activities). The program was subsequently ***extended with another three years until December 2017*** (total program duration of 90 months) and the amended program document (ProDoc), revising the program budget and activities in line with DFAT funding, was signed in December 2014.

Although the program got off to a slow start (except at the micro level through MicroLead funding and CARD support), ***implementation has picked up in recent years***. Annex 3 presents an overview of the progress to date (i.e. as of December 2015) with regard to the 17 program indicators (PIs) - as defined by the Results Framework in the amended 2014 ProDoc - across the three output areas and one outcome area. ***Within each of the three output areas, the end-of-program target has already been achieved for one PI***; namely: Output 1 - number of licensed FSPs (PI1.1); Output 2 – MFA recognized as a 'go to' organization by the microfinance sector (PI2.6); and Output 3 – supported FSPs (namely the CARD grantees) recognized as market leaders (PI3.2). On the other hand, activities to support progress with regard to two PIs – namely availability of reliable sector data (PI1.5) and extending rural outreach through the Lao Postal Savings Institute (LPSI) (PI3.5) – are currently on hold. Progress with regard to the remaining indicators varies across the three output areas, with some on track and others facing challenges. Finally, as illustrated in Section 6.3 (EQ3.4) below, the program is on the whole ***struggling to achieve the intended*** (and perhaps too ambitiously set – see further Section 6.1, EQ1.2, below) ***end-of-program outcome target*** in terms of additional active clients/users.

Current Financial Status

As per the 2010 Prodoc, the ***original program budget amounted to USD 7.01 million***. With only USD 1.44 million in core UNCDF funding and USD 100,000 in UNDP funding (and the possible commitment of USD 1.74 million from the UNCDF MicroLead initiative,),[12] the ***program was initially significantly underfunded*** (but it was considered important to start in order for UNCDF to reengage with the country – see Section 6.1, footnote 29, below). In November 2012, the MAFIPP program received a AUD 5.96 million (≈USD 6.2 million at the time) funding commitment from DFAT within the framework of the 'Laos-Australia Rural Livelihoods Program' (LARLP) – see Box 1 in Section 2 above - to support activities over four years starting 2013. This considerable contribution allowed for the addition of some activities as well as for a program extension up to 2017. Subsequently, the amended 2014 ProDoc ***revised the budget to USD 9.74 million*** (and a related funding gap of USD 2.01 million to reach total program costs and indirect support costs).[13]

Table 1 and Exhibit 1 on the following page present the composition of the effective funding contributions from each donor as of December 2015. Apart from the initial UNCDF (including MicroLead) and UNDP commitments and the DFAT funding, the program has also received funding support from MM4P. ***DFAT is the largest funder covering 61.9% of the USD 8.89 million in effective contributions*** as of December 2015.

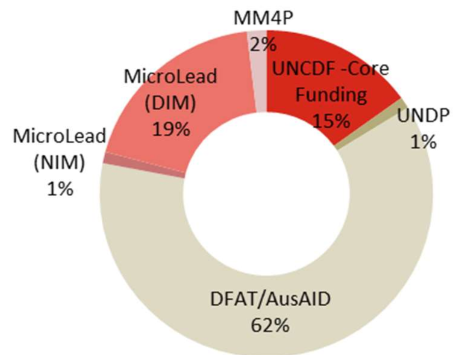
[12] Namely the 'LDC Fund to Develop Savings-Led Market Leaders for Inclusive Finance'.

[13] Following the increase in budget and extension of the program, the 2014 ProDoc also revised the outcome target upwards - see further Section 6.1 (EQ1.2) below.

Table 1. Effective funding contributions (as of December 2015)

Funding structure	USD
DFAT	5,496,968
UNCDF Core funding	1,335,763
UNDP Core funding	99,979
MicroLead (NIM)	99,910
MicroLead (DIM)	1,687,610
MM4P	166,857
Total	***8,887,087***

Exhibit 1. Effective funding structure (as of December 2015)



NIM = National implementation modality

DIM= Direct implementation modality

As of December 2015, 97.0% of the budget for the 2011-2015 period and 71.9% of the total budget (2011-2017) had been expended. During the course of program implementation, the budget allocation has periodically been revised. However, the use of financial resources, as presented in Table 2 below, does not present large deviations (except for 2012) between what was planned and effectively spent. The planned budget for 2016 and 2017 stands at USD 2.40 million, which will be covered by the USD 2.54 million effectively available.

Table 2. Budget allocation and actual expenditure: 2011-2015

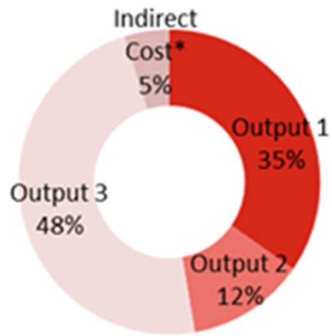
Year	Budget Allocation	Actual Expenditure	Actual expenditure / budget allocation
2011	561,000	615,030	109.6%
2012	465,253	963,622	207.1%
2013	1,314,448	1,301,875	99.0%
2014	1,586,583	1,844,849	116.3%
2015	2,657,021	1,662,717	62.6%
Total	***6,584,305***	***6,388,093***	***97.0%***

Finally, as of December 2015 (and as illustrated in Exhibit 2 on the following page), ***around half of the program resources has been dedicated to Output 3***; namely support to FSPs (micro level). In this regard, it is important to note that, during the course of the program, the four CARD grantees have benefitted from very few other external technical or financial resources apart from the support received directly through MAFIPP (either in the form of TA through MicroLead and CARD and/or TA and financial support through FIF) or indirectly through MFA.[14] ACLEDA, which has received financial (but no TA) support through MicroLead, has benefitted (and is still benefitting) from parallel support from both Germany's *Kreditanstalt für Wiederaufbau* (KfW) and the Dutch development bank FMO. Beyond the micro level, another 35% of the actual budget have been spent on assistance towards improving the regulatory framework and capacity at the macro level (Output 1), while a relatively smaller share (12%) has gone to support at the meso level

[14] In particular, EMI has benefitted from both TA and financial support from Aflatoun and the Barclay's Bank Foundation for the SmartKids initiative (see Section 6.6, EQ6.5, below), while SCU HP has received a USD 18,000 grant through BoL from the 'Catalyzing Microfinance for the Poor' project of the Asian Development Bank (ADB). MFA training and TA to all four CARD grantees have most notably been related to internal audit, board governance, credit management, and accounting (including the MBWin application) in addition to the MFMCC (see further Section 6.3, EQ3.2, below).

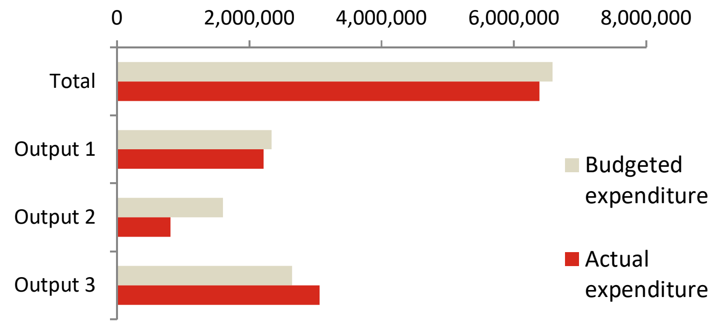
(Output 2). As presented in Exhibit 3 below, the actual allocation of resources per output is more or less reflects the budgeted distribution.

Exhibit 2. Actual expenditure per output: 2011-2015



* Indirect costs = General management support (GMS).

Exhibit 3. Budgeted versus actual expenditure* per output (as of December 2015)



* Excluding indirect costs (GMS).

4 Overview of Key Contextual Factors

4.1 Macroeconomic Context

As presented in Table 3 below, Lao PDR is characterized by ***one of the highest levels of economic growth in the South East Asia region***, with an average 8% annual Gross Domestic Product (GDP) growth rate over the last five years (and indeed decade). With an increasing gross national income (GNI), Atlas method, per capita (standing at USD 1,660 in 2014), it graduated from a low income to a lower-middle income economy, as classified by the World Bank Group (WBG), in 2011. Introduced in 1986, a market-based economy is expanding thanks to ***gradual economic and business reforms***, but the country is still characterized by ***high levels of poverty*** and dependency on foreign aid. Albeit decreasing, poverty reduction is on a slower pace if compared with peer countries in the region and Lao PDR is one of the poorest countries in South East Asia, with 30% of the population living below the USD 2 per day poverty line (2012) and ranking 141 (out of 188 countries) in the Human Development Index (HDI).[15] Lao PDR is consequently categorized as a least developed country (LDC) by the UN system. With regard to other relevant macroeconomic variables, ***inflation*** has decreased over the past few years thanks to slower growth in food and fuel prices and the ***exchange rate*** against the USD has remained stable since 2009.

Table 3. Key macroeconomic and demographic data: 2011-2015

Key demographic/macroeconomic data	2011	2012	2013	2014	2015 (* est.)
GDP growth (annual %)	8.0	8.0	8.5	7.5	7.5*
GNI per capita, Atlas method (current US$)	1,120	1,300	1,490	1,660	
Poverty headcount ratio at $2 a day (2005 PPP) (% of population)	n/a	30	n/a	n/a	n/a
Human Development Index (value)	0.552	0.562	0.570	0.575	
Inflation, consumer prices (annual %)	7.6	4.3	6.4	4.1	1.3*
Official exchange rate (local currency per US$, average)	8,029.26	8,006.58	7,833.23	8,042.42	8,127.61

Sources: World Bank, World Development Indicators (http://data.worldbank.org/indicator); UNDP, 2014 Human Development Report, Human Development Index (http://hdr.undp.org/en/data); CIA World Factbook (https://www.cia.gov/library/publications/the-world-factbook/geos/la.html); BoL (http://www.bol.gov.la/english/exchrate.html)

The economy is mostly based on production and delivery of services (40.9% of total GDP in 2014). Still a rural country, the labor force is mainly employed in the agriculture sector (73% in 2012),[16] primarily in rice growing. Industry accounts for 31.4% of GDP and is based on mining, timber, electric power, agricultural processing, rubber, construction, garments, cement, and tourism. In terms of ***business environment***, Lao PDR stills lag behind compared to other countries in the region, positioning 134 across 189 countries in the WBG's Doing Business.[17] Even though access to credit is improving, entrepreneurship is hampered by long administrative procedures.

Finally, ***international exposure is growing*** with Lao PDR having joined the Association of South East Asian Nations (ASEAN) in 1997 and the World Trade Organization (WTO) in 2013.

[15] http://hdr.undp.org/sites/default/files/hdr15_standalone_overview_en.pdf

[16] https://www.cia.gov/library/publications/the-world-factbook/geos/la.html

[17] http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Profiles/Country/LAO.pdf

4.2 Financial Sector Overview

As illustrated in Table 4 below, the financial sector in Lao PDR is characterized by a ***low level of formal penetration and financial literacy*** (in 2011, 26.8% of the adult population had access to products/services and only 18.1% had previously borrowed from a formal financial institution), despite a ***quite widespread savings culture*** (demonstrated by the fact that, in 2011, 54.5% of the adult population had saved the previous year) and ***common informal financial mechanisms*** (in 2011, 32.5% of the adult population had borrowed in the past).

Table 4. Financial inclusion: 2011

Indicator	2011
Account at a financial institution (% age 15+)	26.77
Account at a financial institution, female (% age 15+)	26.16
Account at a financial institution, income, poorest 40% (% ages 15+)	20.72
Account at a financial institution, male (% age 15+)	27.44
Account at a financial institution, rural (% age 15+)	25.76
Borrowed from a financial institution (% age 15+)	18.13
Borrowed from a financial institution, female (% age 15+)	17.22
Borrowed from a financial institution, income, poorest 40% (% ages 15+)	19.11
Borrowed from a financial institution, male (% age 15+)	19.11
Borrowed from a financial institution, rural (% age 15+)	19.59
Loan in the past year (% age 15+)	32.53
Loan in the past year, female (% age 15+)	31.89
Loan in the past year, income, poorest 40% (% ages 15+)	33.42
Loan in the past year, male (% age 15+)	33.22
Loan in the past year, rural (% age 15+)	33.26
Saved any money in the past year (% age 15+)	54.47
Saved at a financial institution (% age 15+)	19.36
Saved at a financial institution, female (% age 15+)	18.98
Saved at a financial institution, income, poorest 40% (% ages 15+)	13.25
Saved at a financial institution, male (% age 15+)	19.77
Saved at a financial institution, rural (% age 15+)	20.08

Sources: World Bank, Global Findex (http://datatopics.worldbank.org/financialinclusion/)

In 2014, the financial sector was mainly (96%) served by the ***state-owned commercial banks***, namely BCEL, the Lao Development Bank (LDB), the Agricultural Promotion Bank (APB), and the Lao May Bank. Other actors include 39 private banks, MFIs (see below), savings institutions, and 16 leasing companies. Peculiar to the Lao PDR market is the presence of a large ***rural microfinance ecosystem, composed of more than 4,000 village funds***, member-based organizations that operate across the country (with around USD 65.4 million in total deposits and 464,256 total clients in 2014).[18]

The ***microfinance sector is relatively young***, emerging in the early 1990s, and is characterized by small and geographically fragmented financial institutions with regional or local coverage serving only a very small proportion of the total population. As of December 2015, according to data reported to MFA, the sector is composed of 19 non-deposit taking MFIs with 39,896 clients, 11 deposit taking MFIs with 128,149 clients, and 11 SCUs with 24,799 clients. Overall, the industry has a total gross loan portfolio of USD 36.7, which is growing at a fast rate. Nevertheless, the sector is also facing a deterioration in portfolio quality caused by systemic risks, but also because of poor internal capacity.

[18] BoL, "Financial Sector Scoping Lao PDR", data for 2014 and 2015.

The ***financial sector is regulated by BoL***, with responsibility for the microfinance sector with FISD. As of 2010, FISD is responsible for MFIs, SCUs, DFS providers and leasing companies and is supposed to provide overall responsibility also for the village funds, which are registered at district level, but not regulated. The regulatory framework includes: (i) 2008 regulations for respectively non-depositing taking MFIs, deposit taking MFIs, and SCUs; (ii) the 2012 (draft) Decree on MFIs; and (iii) accompanying Implementation Guidelines (published in April 2016). Supervisory responsibility for microinsurance (and insurance in general) lies with the Ministry of Finance (MoF). Finally, a ***credit information bureau*** was established with BoL in 2007 for loans above LAK 50 million (≈USD 6,200), with online services provided as of 2010. With support from the International Finance Corporation (IFC), BoL is also developing a movable assets registry and a related regulatory framework to secure transactions (see further Box 2 in Section 3.1 above).

5 Evaluation Approach and Methodology

Overall, the evaluation process has sought to fulfil the areas of the UNCDF "Quality Grid for External Evaluations".[19] The methodology, as first proposed in the Consultant's technical proposal and further developed and validated during the Inception Phase of the evaluation, incorporates a ***multidimensional approach*** including a mix of quantitative and qualitative/descriptive methods based on primary sources of information (interviews with stakeholders at all levels of analysis, direct data extrapolation from FSPs' management information systems [MISs], etc.) and secondary sources (internal MAFIPP program documentation and other relevant material from external sources). The entire process has been structured around a ***theory of change framework*** (as summarized in Section 3.1 above and attached in Annex 2) and an ***evaluation matrix***. The evaluation matrix (attached in Annex 4) - and related evaluation questions (EQs) - is ***organized around the five OECD/DAC evaluation criteria of relevance, efficiency, effectiveness*** (with regard to output delivery as well as outcome achievement to date), ***(possible) impact, and (prospects for) sustainability as well as*** a cross-cutting criterion including the themes of ***gender, ethnic groups, youth and financial education & client protection*** (and environmental sustainability). In line with the holistic market development approach of the program, the evaluation matrix ***addresses all levels of analysis*** (i.e. macro, meso, and micro/market level as well as client level) and outlines the EQs to be covered along with the respective judgement criteria (indicators) and means and sources of verification. Where relevant, EQs are cross-referenced against components of the theory of change framework (with **results chain components in red** and **assumptions in green**). Furthermore, where relevant in the 'Judgement Criteria' column, cross-reference is made to the **program indicators (PIs - in blue)** as defined by the Results Framework in the amended 2014 ProDoc and as summarized in Annex 3.

Based on the evaluation matrix, the Consultant elaborated a ***data collection toolkit***, namely a comprehensive set of instruments and guidelines that supported the evaluation team in the collection (and analysis) of data and information. Relevant parts of the tools were cross-referenced against the EQs of the evaluation matrix as well as the level of analysis (macro, meso, market, micro, client - as specified in the theory of change framework in Annex 2) in order to easily identify the main purpose of the requested information. While Annex 5 provides a more detailed account of the various parts of the data collection process and toolkit, the key components are summarized below:

- ***Documentary review*** - the evaluation included a desk review of MAFIPP program and other related and relevant documentation, such as pertinent Lao PDR policies and regulations and other country reports, financial sector data and information, internal documentation of MAFIPP supported entities, audited financial statements and product documentation of partner FSPs, etc.
- ***FSP tools and guidelines*** (micro, and client, level) – data collection from and analysis of the five MicroLead FSPs relied on the use of a preliminary file including primarily quantitative data (which the FSPs were asked to fill out towards collecting some initial information on financial statements, portfolio, products/services, etc.). The information received in the preliminary file was cross-checked against or integrated with data from other sources (including MAFIPP and CARD related progress reports, audited financial statements, as well as sector data from FISD's FINA system, MFA, and MiXMarket). Data from these sources (i.e. the preliminary data file and other external sources) were then pasted into a more complete data analysis (DA) file, one for each FSP. The DA tool automatically generates ratios, indicators, and tables needed for the FSP analysis. Finally, the evaluation team also

[19] This grid has been drawn up by an external firm engaged in an external assessment of UNDP's evaluation policy, relying in turn on UNDP's Independent Evaluation Office template for assessing the quality of UNDP's decentralized evaluations. As an associated fund of UNDP, UNCDF's Evaluation Unit is bound by the same evaluation policy and evaluation quality assessment processes as UNDP.

met with FSP staff at various levels in order to validate some information and combine the quantitative data with more qualitative information.

- ***Focus group discussions (FGDs) and structured interviews with*** clients (client level) - during the branch/service unit visits, the evaluation team held FGDs as well as brief structured interview sessions with a selection of clients of all five MicroLead FSPs. A total of ten FGDs and subsequent interviews were held with ***a total of 81 clients*** (see further Section 6.4, EQ4.3, below). The FGDs were structured around a series of guideline and probing question (see Annex 6), while the interviews with individual clients were based on a questionnaire (attached in Annex 7).[20] In addition, the evaluation team also held a lighter FGD with ***12 SmartKids students*** with the EMI Xaythany 2 service unit.
- ***Interviews with other stakeholders*** (global, macro, meso, and market level) – in addition to meetings with FSP staff and clients, the evaluation team also consulted with other relevant stakeholders at all levels. The Consultant met with (or talked to – some interviews were carried out over the phone/Skype) a ***total of 68 stakeholders from 35 entities*** (with the MAFIPP team counting as one 'entity') at all levels (including the partner FSPs at the micro level). The complete list of interviewed stakeholders is attached in Annex 8. Interviews with other relevant stakeholders were carried out based on some (fairly loose) guidelines / probing questions (as attached in Annex 9).

In processing, aggregating and analyzing the data and information collected, the evaluation team has made use of dedicated input sheets[21] (and transcription files) as well as analysis files/sheets and findings from various sources have been triangulated in order to ensure validity and significance. The data collection (and evaluation) process has been faced with a number of challenges. At the FSP level, ***actual availability of reliable data*** (particular with regard to client data, but also in terms of other savings or credit related information) has been ***relatively limited***.[22] Where possible, other sources of information apart from the MISs (which are on the whole very basic) of the partner FSPs have been used (i.e. self-reported data have been checked against and complemented by data from MiXMarket, CARD/MAFIPP tracking files, FISD's FINA system, etc.). Furthermore, timeliness in receiving requested data from FSPs has also been a challenge. Nevertheless, with some final assistance also from the MAFIPP team, all partner FSPs eventually submitted the preliminary files (albeit not all of them complete). Exchanges of emails and follow-up telephone calls on part of the Lao PDR microfinance consultant have also served to fill as many remaining gaps as possible.[23]

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[20] The branches/service units to be visited were selected based on a combination of several dimensions, including area of operation (rural, peri urban, urban), location (Northern, Central or Southern part of the country), and use of center methodology. Logistical considerations were also taken into account. Where possible, clients to participate in the FGDs and structured interviews were randomly selected from the lists of savers and borrowers with the visited branch/service unit (in this case, the clients were contacted some days before by the partner FSPs; a reserve list of clients was also prepared in order to easily identify substitutes should some clients not be willing or able to participate). With regard to the center methodology clients, the accessibility of clients on the proposed days for the branch/service unit visits was also taken into account – i.e. the Consultant randomly selected a center that met on the day of the branch/service unit visit and hence met with the clients of this center once their center meeting was over and the loan officers had left.

[21] The input files for the FGDs and interviews with clients are available in an anonymous format upon request through the UNCDF Evaluation Unit.

[22] For example, data on new clients and dormant accounts are not tracked by the FSPs and some self-reported data (number of clients/savers, gross loan portfolio figures, etc.) were not always consistent.

[23] With regard to data analysis, quantitative data were analyzed mostly with descriptive statistics towards providing quantifiable and 'easy to understand' figures and products (i.e. tables, graphs or other exhibits). This is the case of the analysis of the 17 PIs, program implementation status, budget analysis, FPSs' achievement of PBA targets, etc. Qualitative information (primarily from interviews with FSP staff and other stakeholders as well as from FGDs and interviews with clients) were processed, where possible, generating qualitative statements (ex. good/satisfactory/bad; appropriate/non-appropriate) towards seeking to come up with an overall judgement to answer to the relevant EQs in a consistent manner. To support some reasoning, examples and significant opinions (both unanimous and outliers) have been brought forward (with relevant statements quoted in an anonymous manner).

The Consultant also sought to collect outreach data in the years leading up to the start of the MAFIPP program (2005-2009) from the five MicroLead FSPs towards seeking to establish a trend in serving target clients prior to the start of the MAFIPP program (EQ3.4). This would probably have been the only ***possible way to establish some sort of 'counterfactual' assessment*** (with each FSP acting as its own 'control group') since the scope and resources of the present evaluation did not allow for a more adequate counterfactual analysis (which requires substantial collection of reliable data from an adequate control group). However, such data was either not available or not reliable. An effort was nevertheless made on part of the evaluation team to collect as much outreach and other performance data (from FINA and MFA) as possible at the sector level for comparative purposes. However, it should be noted that since the MAFIPP program has also engaged in support at the macro and meso level, it has benefitted (directly) not only the MicroLead FSPs (micro level), but also (indirectly) other, i.e. non-MAFIPP supported, FSPs (market level) as they act within the same general environment (and since the Lao PDR context is quite small, it is unlikely that other FSPs have remained completely 'estranged' from MAFIPP support, even if indirect, at the macro and meso level). So while comparisons with non-MAFIPP supported FSPs (the 'control group') has been attempted (see Section 6.4, EQ4.2, below; and as also tracked by PI3.2 & PI3.3), such comparisons cannot be considered a truly counterfactual assessment (i.e. what would have happened in the MAFIPP program had not existed?) because the 'control group' has, albeit indirectly, also benefitted from the MAFIPP program. Also, the reliability of some sector data is also to be questioned; findings should hence be treated with caution.

Furthermore, it is important to note that the outcome of the FGDs (and interviews) with clients are ***not meant to provide statistically significant results***, but rather only to (qualitatively) report on the ideas and thoughts of a selected number of clients. Results from the FGDs (and interviews) can hence not be translated onto the whole client population. Nevertheless, with 81 interviewees, a fairly broad variety of answers was provided and the findings seem to at least point to some seemingly common or interesting issues. Also, with regard to possible impact, since baseline data to measure change at the client level is not available, the evaluation has only sought to grasp the satisfaction and use of clients with regard to new services and/or delivery channels (i.e. whether they perceive them as useful and appropriate to their needs) as well as potential self-perceived changes, and not actual changes, with regard to their financial behaviors and/or their life/situation in general (see further Section 6.4, EQ4.3, below).[24] As mentioned above, footnote 21, the (anonymous) input files for the FGDs and interviews with clients are available upon request through the UNCDF Evaluation Unit.

Finally, considering the constraints in terms of data availability (especially regarding historical data series and general sector data)[25] as well as the existence of other intervening factors (including other donor initiatives in the financial inclusion field), the evaluation has to the extent possible tried to correlate MAFIPP inputs and activities with specific results at the various levels of intervention. In most cases, however, it has not been possible to prove or isolate the actual casualty link between MAFIPP

[24] During the Inception Phase, the evaluation team and the UNCDF Evaluation Unit discussed the possibility of collecting some poverty data during the course of the individual interviews with MAFIPP clients towards using this information as a baseline comparison for the final evaluation of the MAFIPP program. However, since poverty data collection is beyond the scope (and resources) of this mid-term evaluation and the Progress out of Poverty Index® (PPI) and scorecard (one easy and relatively reliable way to collect poverty information) is not available for Lao PDR, this possibility was abandoned. The collection of poverty data at the client level would also have allowed for the positioning of clients reached within the broader poverty profile of the country. Despite the lack of client level poverty data, the Consultant has nevertheless attempted to provide a general poverty outreach analysis through the use of proxies (see Section 6.3, EQ3.4, below).

[25] The 2014 FinScope data (and the MAP diagnostic exercise as a whole) certainly provide important and useful information and data on the state of financial inclusion in Lao PDR, but since the same data is not available for before MAFIPP program start, it is not possible to make a reliable 'before and after' comparison.

inputs/activities and results. Focus has hence been placed on ***contribution rather than attribution***.[26] To this end, the evaluation has also considered parallel and/or complementary interventions from different partners towards seeking to identify and assess all possible contributions to results (and not just those of the MAFIPP program per se).

[26] Which is also one of the key messages with regard to assessing change (Section 6) of the recent CGAP guidelines for donors (Deena M. Burjorjee and Barbara Scola, "A Market Systems Approach to Financial Inclusion Guidelines for Funders", September 2015).

6 Evaluation Findings

6.1 Relevance and Quality of Design

EQ1. How relevant and well designed is the program with regard to supporting the development of an inclusive finance sector in Lao PDR and promoting the financial inclusion of low-income households and micro-entrepreneurs?

Client driven program design generally aligned with the national policy and planning framework for the promotion of growth and reduction of poverty.

Only program providing comprehensive multilevel support among other complementary donor initiatives.

Holistic market development approach suitable to the infancy stage of the microfinance sector.

Appropriate use of national implementation modality in support of ownership and leadership on part of the implementing agency (FISD/BoL).

Effective leverage of other UNCDF global programs and instruments.

Outcome target (perhaps too) ambitiously revised upwards following additional funding and three-year extension.

Relevance of program [EQ1.1]

Initial program formulation was driven by BoL and built upon the experience of the Asian Development Bank (ADB) 'Catalyzing Microfinance for the Poor' project (see Box 2 in Section 3.1 above). The scarcity and unreliability of contextual data, however, made an in-depth gap analysis difficult (with the setting of baselines particularly hard to do). Despite these shortcomings, the 2010 ProDoc nevertheless seems to have done the best it could with the data and information that were available at the time and consulted stakeholders at the global, macro and meso level agree that the ***program reflects and seeks to meet the country's needs and priorities***.

At the heart of the government's national development agenda lies the 2004 ***National Growth and Poverty Eradication Strategy (NGPES)***, which provides a framework for the promotion of growth and the eradication of poverty by 2020. Even if the strategy does not address access to finance (or financial inclusion) in its own right, financial access is generally considered important for agricultural and rural development and for supporting potential growth sectors. In particular, it "views credit access as critical to facilitating the growth of small-scale enterprises" (p.67).[27] Finally, it recognizes the shortcomings of the microfinance sector at the time and prioritizes the improvement of the financial sector (including the development of a national strategy and action plan for microcredit)[28] towards ensuring macroeconomic stability (in fact, microcredit is listed as one of the "clear priorities for the Government", p.17). The Ministry of Planning and Investment (MPI) translates the NGPES into five-year ***National Socio-Economic Development Plans (NSEDPs)***. Again, while financial inclusion/access is not fully integrated as a separate theme into these plans, the seventh NSEDP for the 2011-2015 period also considers access to credit (and financial systems) as important for the promotion of SMEs and rural development. It also includes specific

[27] Access to credit is also deemed as key to reduce vulnerability and identified as one of four areas to strengthen positive coping strategies (p.38)

[28] Some objectives of the strategy and action plan initially included: (i) Support for market oriented reforms; (ii) Creation of a legal space for a variety of sustainable MFIs; and (iii) Establishment of a microfinance forum.

targets (including "increase [the extension of] credit to business persons by 22.9% annually") and measures (including "Strengthen the management of commercial banks and other financial institutions, and help them diversify", and "Provide more opportunities for local people to be able to access banking system") for the banking sector (p.137). Furthermore, BoL issued a ***Policy Statement for the Development of Sustainable Rural and Microfinance Sector*** in 2003 (endorsed by the Prime Minister's Office in 2004). The statement included a review of the current state of affairs and action plan and reform program towards creating an enabling environment for a sustainable development of the (rural) and microfinance sector. In general terms, the MAFIPP program can hence be considered to be aligned with the policy and strategic framework for financial access in Lao PDR.

Apart from BoL (authorized by a 2007 Instruction of the Prime Minister on Microfinance Management to regulate and supervise the microfinance sector), the National Committee for Rural Development and Poverty Eradication (NCRDPE) as well as other line ministries are also concerned with financial access in support of growth and development in various sectors. Moreover, there is no specific sector working group for financial inclusion or access to finance, but the theme is addressed by the macroeconomic working group (in which BoL is a member) as well as the trade and private sector working group (where inclusive small and medium enterprises [SME] development is a priority). Overall 'responsibility' for the area of financial access and inclusion does hence not lie with one national entity and clearly goes beyond the scope of FISD/BoL, the main interlocutor at the macro level for the microfinance sector and the entity through which the MAFIPP program has been implemented.

Finally, as introduced in Section 3.1 (Box 2) above, MAFIPP is the ***only program to have adopted a truly comprehensive multilevel approach*** to financial inclusion in Lao PDR and in general it ***fits well with other donor initiatives*** in the field. Indeed, the MAFIPP program, through embracing its multifaceted approach rather flexibly, has sought to complement other efforts and 'fill the gaps' in order to support an all-round development of the microfinance sector and related environment as a whole. For example, while Germany's *Gesellschaft für Internationale Zusammenarbeit* (GIZ), through the 'Access to Finance for the Poor' (AFP) program (also with FISD/BoL), focuses on village funds and provides support to the general regulatory microfinance framework, MAFIPP targets regulated MFIs and SCUs as well as more specific regulatory matters (namely DFS). At the meso level, the MAFIPP program has provided grant funding for general institutional and operational support to MFA in order to complement actions promoted primarily by *Appui au Développement Autonome* (ADA) of Luxembourg, but also by GIZ and the German Savings Banks Foundation for International Cooperation (SBFIC); especially towards assisting in the completion and delivery of the MFMCC (see further Section 6.3, EQ3.2, below).

Appropriateness of program design [EQ1.2]

The overarching principle of both the initial and the amended ProDoc has been to ***concurrently support market development at all levels*** (i.e. micro, meso and macro). This holistic approach can definitely be considered as appropriate given the infancy stage of development of the Lao PDR microfinance sector at the time of program preparation (as outlined in Section 3.1 above). While such an approach might have more limited results in the short term (time and effort required to bring about regulatory reform and true institutional change shall not be underestimated), it does support potential actual change and sustainability in the long term. Despite recognizing the need to adopt a market development approach to financial inclusion in Lao PDR, however, a couple of global level stakeholders raise concerns over the program *"perhaps being too broad and seeking to do too many things at the same time"*.

Except for the parallel funding (i.e. the MicroLead grant through CARD and the MM4P contribution), for which a direct implementation modality (DIM) has been applied, the program has used a ***national***

implementation modality (NIM) through FISD/BoL. Although more common for UNDP initiatives (as well as for other UN initiatives in Lao PDR), NIM remains an exception in the UNCDF portfolio within the Financial Inclusion Practice Area (FIPA). In fact, there is only one other UNCDF FIPA NIM initiative in Asia and the Pacific region (namely in Nepal). In the case of Lao PDR, however, NIM represented a condition for UNCDF reengagement in the country and was considered important for UNCDF's commitment towards *"seeking 'best fit' rather than enforcing 'best practice'"* and trying to work with BoL *"as it is and not as it should be"*.[29] The ***decision and implementation process is more difficult and has taken longer*** with NIM (see Section 6.2, EQ2.2, below), ***but the modality has allowed for the creation of ownership and leadership on part of FISD/BoL*** (*"NIM was definitely the right choice in order to get buy-in"*). Support to national ownership/leadership is also in line with one of the key messages of the 2006 Vientiane declaration on aid effectiveness.[30] Within FISD/BoL, NIM has supported a change in institutional attitude as well as created a capacity to guide policy and advocacy efforts (i.e. the MAP process – see further Section 6.3, EQ3.3, below). At the same time, it has granted UNCDF 'access' to a space for policy change *"the Lao way"* (consensus drafting, etc.). On the whole therefore, both FISD/BoL and the MAFIPP team/UNCDF agree that it has been *"worth the effort"*.

The multilevel approach of the MAFIPP program (as well as the proactive management on part of the MAFIPP team– see Section 6.2, EQ2.2, below) has allowed it to ***successfully leverage other UNCDF global programs and instruments***; namely: (i) MicroLead (as envisaged in the original ProDoc) towards supporting capacity building of a number of FSPs at the micro level; (ii) MAP for the promotion of evidence-based policy making at the macro level (as well as, hopefully, evidence-based strategy development on part of individual FSPs as well as meso level institutions); and (iii) MM4P towards facilitating the birth and development of an 'ecosystem' for DFS (which would hopefully, at least eventually, support substantial outreach to target beneficiaries in remote areas).[31] Furthermore, the collaboration with other programs and institutions active in the ASEAN region (not only the UNCDF initiatives of MicroLead and MM4P, but also CARD and the Asian Confederation of Credit Unions [ACCU]) has also allowed the program to benefit from learning and sharing of best practices within a regional context. However, the integration with other initiatives also seems to have ***caused some confusion over 'branding'*** since some stakeholders do not realize that the various efforts (and 'brands') all fall under the same UNCDF/MAFIPP 'umbrella'.[32]

With specific regard to FIF, the ambition for the creation of a ***multi-donor funding platform***, with UNCDF acting as a facilitator, can be considered as both appropriate and timely given the increasing (and potential) engagement of several players in the relatively small access to finance field in Lao PDR (see Box 2 in Section 3.1 above). Such a coordinated effort would benefit from economies of scale and, in line with the 2006 Vientiane declaration, reduce the burden on BoL as the implementing agency. Nonetheless, with DFAT being the only contributor to date, a multi-donor commitment to the fund has yet to materialize (see further Section 6.2, EQ2.3, below).

[29] UNCDF's engagement in Lao PDR dates back to 1997 (with the start of a USD 6.7 million 'Microfinance and sustainable livelihoods' project), but relations were suspended in 2009 following disagreements over best practices and subsidized interest rates.

[30] This declaration reflects the 2005 Paris declaration on aid effectiveness and is signed also by the UN on part of all UN agencies (article 1 specifically refers to: "Government exercises effective leadership over the development policies, strategies and coordinates development actions").

[31] The collaboration with other initiatives has partly been encouraged also by the need to complement with other funding sources (MicroLead and MM4P have both contributed with funding to the MAFIPP budget – see Section 3.2 above).

[32] Particular confusion was raised by some stakeholder with regard to MAFIPP (and FIF) versus MicroLead (and CARD) support as well as (due to the similar spelling) MAFIPP versus MAP. Furthermore, global thematic programs and country programs also have their own results chains, which might not always be in line with each other.

On a final note, the setting of targets is also an important element of program design. The original 2010 ProDoc set the ***initial outcome target at a minimum of 140,000 additional active clients*** (namely 140,000 additional active savings clients, and including 70,000 additional active credit clients) by end 2014.[33] This represented a doubling of the stock-take estimate of 68,000 clients (including 19,000 borrowers) served by the microfinance sector (i.e. by registered MFIs and SCUs) as a whole in 2011.[34] Following additional DFAT funding for the promotion of DFS and a three-year extension, the amended 2014 ProDoc (based on a revision of the Results Framework at the end of 2013) ***revised the outcome target upwards to 408,000 additional active users (with a minimum of 300,000 additional active users)*** by end 2017. In comparison, in 2011, some 4,400 village funds were estimated to serve around 430,000 members (or around 10% of adult population).[35] The revised target hence seeks to reach more or less the same number of clients as the numerous village funds (the origins of which date back to the beginning of the 1990s).

The revised overall outcome target of 408,000 is ***divided into 208,000 additional active users of 'traditional' financial services and 200,000 active users of DFS***. The latter DFS target is based on the initial findings from the DFS scoping mission carried out by MM4P in 2012 as well as subsequent market research (including both demand and supply side analysis) and targets outlined in the 2014 MM4P country strategy for Lao PDR. More specifically, the country strategy aims "for 400,000 new customers to have gained access to a financial service via branchless and digital technologies, of which 250,000 will be active and 60,000 will have been previously unbanked by the end of 2017" (p.2; bold deleted). Within the framework of the MAFIPP program, the target of 200,000 active users of DFS (of which 15% should be previously unbanked) was ultimately agreed upon.

With additional DFAT funding (and three-year extension), the amended 2014 budget represented a 40% increase over the original 2010 budget, while the revised outcome target (and minimum outcome target) signified a 190% (110%) increase over the initial minimum target of 140,000 additional active clients set by the 2010 ProDoc. This ***'mismatch' between increase in budget and increase in outcome target*** was also raised by the MAFIPP team at the 13th meeting of the Program Management Committee (PMC) in January 2014, which reconfirmed the proposed minimum target of 300,000 additional active users overall.

Given the above considerations and bearing in mind that the program has adopted a market development approach (and the time it takes for regulatory reform to materialize and for pilots to be brought to scale is often underestimated), the ***overall outcome target appears quite ambitious***. Most consulted global and macro level stakeholders also argue that it has been set too high,[36] even if a couple of them believe at least the target for outreach of traditional financial services to be *"reasonable"* and *"doable"*. The aspiring outcome target seems to have put MAFIPP management under undue pressure and, in the words of one global level stakeholder, has been *"a source of worry and disappointment"*.[37] Because of the market

[33] Given the scarcity and unreliability of data at the time of program preparation, the definition of the initial target was not based on an assessment of the actual potential of the microfinance market in Lao PDR, but rather "on a proxy of USD 50 per savings client acquisition" (i.e. the total program budget of around USD 7 million divided by USD 50). Furthermore, again because of the dubious or partial data available at the time, the USD 50 proxy was also "not based on an objective measure of cost of client acquisition in the Lao PDR", but "on the experience of UNCDF operating in other countries in Africa and Asia with similar population patterns and capacity of FSPs, and also based on a judgement of what might be a tolerable level of average client acquisition cost" (2010 ProDoc, p.20).

[34] National Economic Research Institute (NERI)/MPI and FISD/BoL, Hans Dieter Seibel and Bernward J. Rohmann (eds.), "Microfinance in the Lao PDR", 2012. The initial baseline estimate for the sector as a whole set out in the 2010 ProDoc amounted to 30,000 clients.

[35] *Ibid.*

[36] One stakeholder at the global level also raises concerns over the target *"perhaps even being too risky to try to meet"*.

[37] Ambitious targets can, at least initially, serve the purpose of encouraging innovation and pushing for action, but they might also need to be adjusted to what can be realistically possible as a program (or project) moves along and more reliable estimates can be made.

development approach of the program in general (and the 'ecosystem' approach of DFS in particular), the MAFIPP program would probably have benefitted from a less ambitious outreach target and the inclusion of more concrete targets at the macro level (regulations or guidelines drafted, etc.). The outreach target could possibly also have been divided into two parts; namely (i) a smaller number of 'direct' clients (i.e. additional clients as a result of direct MAFIPP support to a number of FSPs); and (ii) a greater number of 'indirect' clients (i.e. the number of clients of the microfinance sector as a whole). Alternatively (or additionally), and beyond the 'standard' female and 'not so standard' DFS targets, outreach could perhaps have been defined in more qualitative and/or precise terms (for example, clients benefitting from financial education, borrowers, rural clients, clients living in poor districts, etc.) towards providing more direction for program strategy and implementation.[38]

[38] The Results Framework could perhaps also have *"taken it back a step"* since the one outcome (i.e. increased outreach) per se does not necessarily lead to the expected impacts (the outputs now overlap with and 'jump' directly to the impacts).

6.2 Efficiency of Management and Quality of Activities

EQ2. To what extent is the program managing to deliver on expected results?

Considering the market development approach of the program, relatively reasonable average client acquisition cost of USD 55 and substantial bolstering of formal savings (215% of actual program expenditure) to date.

Program management supported by a qualified and fully resourced team that has established a very good working relationship with the implementing agency (FISD/BoL).

Delays in decision making and implementation, but flexible use of resources allowing for reorientation of activities.

Effective use of performance-based agreements to promote outreach towards defined targets.

Adequate monitoring framework, even if with some gaps (primarily related to the collection of client data).

Good program oversight mechanisms, but not enough strategic support for higher level political engagement.

Creation of competitive financing facility in July 2014 for support to micro and meso level institutions across nine thematic areas - eight calls and six awards to date, but institutions challenged by difficult application process and some eligibility criteria and additional donor contributions have yet to materialize.

Recipients at all levels generally satisfied with training and TA support as well as with numerous exposure visits and other capacity building events.

Use of funds (cost-effectiveness) [EQ2.1]

An overall 'bang-for-the-buck' unit cost can be calculated considering total program expenditure over the number of final beneficiaries, i.e. the additional clients reached. With actual program expenditure standing at USD 6.4 million (see Section 3.2 above) and outreach amounting to 116,275 additional users (see Section 6.3, EQ3.4, below) in December 2015, the ***average cost per additional client reached is USD 54.9***. This client acquisition cost is only slightly above the USD 50 identified as "tolerable" by the 2010 ProDoc (see footnote 33 in Section 6.1, EQ1.2, above) and can be considered relatively reasonable given the market development approach of the program. Since the outreach data refer to users who can - more or less - be directly attributed to program support (namely the clients of the five MicroLead FSPs[39] plus 773 DFS users), the cost for client acquisition (less the 773 DFS users) could also be calculated based only on the direct MicroLead funding to the five FSPs. ***If only the MicroLead expenditure is considered, the average cost per additional client comes down at only USD 12.8*** (or USD 21.6 if also the CARD cofinancing contribution is taken into account).[40] By way of comparison, this 'direct' additional client cost is in line with the average USD 20.2 in 'investment cost' per new client (i.e. total program funding / number of new clients) for the global UNCDF FIPA portfolio (calculations covering two global thematic initiatives, including MicroLead, and five country sector programs) in 2011.[41] Furthermore, the MAFIPP program has ***also bolstered formal***

[39] While all clients are considered for the four CARD grantees, only the clients of the five new service units established with MicroLead support are taken into account for ACLEDA.

[40] The MicroLead funding includes the USD 1.3 million grant through CARD plus the USD 200,000 grant to ACLEDA for the establishment of the five new service units, while the CARD cofinancing share stands at USD 1.0 million (see also Box 3 below). CARD provided TA support also to MFA, a meso level institution, but it has not been possible to estimate MFC's 'share' in CARD support in order to deduct it from the total value of USD 2.3 million.

[41] UNCDF FIPA Portfolio Review Synthesis Report, 11 February 2013.

savings. In December 2015, the additional outstanding savings balance for all five FSPs[42] amounted to USD 13.8 million, or ***215% of actual program expenditure***, which can also be considered an important achievement.

Other selected cost-effectiveness indicators are presented in Table 5 below. As of December 2015, MAFIPP team expenses in the form of salaries and other payroll costs represent around one-quarter of total program cost, which could reasonably be explained by the relatively complex nature of the program (engaging with a multitude of institutions and initiatives at all levels) combined with the proactive style of management and support on part of the MAFIPP team. In line with the strong capacity building focus of the program, additional TA support, through CARD (see further Box 3 below) as well as through other external consultants, accounts for just above one-third of total program costs. To the extent possible, the program (including CARD support) has generally sought to rely on local expertise not only to reduce costs, but also (primarily) to transfer competencies and build national capacity.[43] Capacity building support has also included numerous exposure visits, which justify the travel expenses of 6.3%. Furthermore, one-tenth of MAFIPP costs has been dedicated specifically to the implementation of the MAP process; an important component and achievement of the program (see further Section 6.3, EQ3.3, below). Finally, since the comprehensive DFS support at all levels (accounting for one-fifth of total program cost) has yet to yield end results in terms of number of DFS users, an assessment of its cost-effectiveness cannot be made.

Table 5. Cost-effectiveness indicators (based on actual expenditure as of December 2015)

Indicators	
MAFIPP team salaries & payroll costs / Total program cost	26.1%
External TA consultants / Total program cost	14.1%
CARD TA* / Total program cost	20.9%
Travel** / Total program cost	6.3%
MAP / Total program cost	9.5%
DFS support / Total program cost	20.5%

Total program cost includes all expenditures as well as indirect costs (GMS).
* MicroLead DIM funding through CARD.
** Primarily exposure visits.

Box 3. CARD TA support with MicroLead funding

In addition to the USD 1.3 million grant from MicroLead, CARD contributed another USD 1.0 million to provide support to the four CARD grantees. Actual expenditure over the 2011-2015 period for salaries of CARD experts and local staff (covered by MicroLead) and other professional fees for TA and training (covered by CARD) total USD 1.6 million (72.2% of total expenditure). Each year, CARD committed between six and eight international and between six and ten local long-term and full-time experts. In addition, an estimated 10,507 working days have been engaged through short-term consultants and one resident expert. Considering 230 working days per year for the long-term experts, the ***total input of TA and training support provided by CARD amounts to 26,837 working day*** (at an average daily cost of only USD 62).

[42] For ACLEDA, calculations include only the outstanding savings balance of the five new service units.

[43] In fact, apart from the International Technical Specialist (ITS), the MAFIPP team only includes one other international TA consultant (namely the resident DFS expert). However, reliance primarily on local, not always experienced, resources might at times have 'compromised' the quality of knowledge management / monitoring and evaluation.

Quality of management and oversight [EQ2.2]

Initially understaffed, and with a period of interim management after the UNCDF country technical advisor (CTA) left in mid 2013, the MAFIPP program is now supported by a ***fully equipped and sufficiently resourced*** team,[44] including: (i) an international technical specialist (ITS), who joined early 2014 (replacing the CTA); (ii) a program coordinator; (iii) a program assistant (up until first quarter 2016); (iv) a local MAP coordinator (between the second quarter 2014 and the first quarter 2016);[45] (v) a FIF manager (since end 2014);[46] and (vi) a DFS resident expert and a DFS assistant (as of third quarter 2014); and (vii) an accountant and two other support staff. The MAFIP team is considered by consulted stakeholders as "a ***high quality team*** *with good technical skills"*. Within FISD, the implementing agency, MAFIPP is led by the program director (FISD Director General) and program manager (FISD Deputy Director General) and supported by a team of three MAFIPP coordinators. Furthermore, in order to provide oversight as well as to deliberate key decisions, a ***Program Management Committee (PMC)*** has been set up. The PMC meets every three to six months and is composed of: (i) the MAFIPP program director; (ii) the UNCDF senior regional technical advisor for Asia and the Pacific (based in Bangkok); and (iii) a DFAT representative (namely the First Secretary, Development Cooperation, of the Australian Embassy).

As mentioned in Section 6.1 (EQ1.2) above, as a condition for reengagement and in order to promote ownership on part of FISD/BoL, the program has used the NIM approach, with resources (and decisions) channeled through the implementing agency. Seeking to strike a balance between respecting national objectives and protocols (including consensus driven decision making) and promoting change, UNCDF is recognized by consulted stakeholders to have ***established a very good relationship with FISD*** (*"UNCDF was really distrusted when pulling out [in 2009], but as a result of us listening to them, they now also listen to us and advice is taken onboard"*).[47] The MAFIPP ITS was especially lauded by all parties to have been *"brilliant"* in creating this rapport by balancing *"patience with persistence"* towards creating both trust and crowd-in.

However, the NIM approach has also caused delays in both decision making and implementation (*"With both the UN and the BoL involved, it is a double slow process"*). In seeking the *"best fit rather than best practice"*, there is definitely a ***trade-off between ownership and speediness***. The implementation process has generally not been able to stick to planned deadlines; something lamented also by several stakeholders (especially the FIF applicants and grantees – see EQ2.3 below). There has also been some resistance on part of FISD with regard to accepting 'dead ends'[48] and reorient activities.[49] On the other hand, with planning not being binding, the program has been able to ***flexibly reallocate resources*** towards other activities. Given the wide scope of the program and with no clearly defined strategy for financial inclusion to work towards initially,[50] this flexibility has served MAFIPP well. It has allowed the program to test different

[44] One of the local team members, however, called for more training of local staff in order to further build local capacity.

[45] The work of the MAP coordinator has been transferred onto FISD/BoL is expected to 'internalize' the MAP process.

[46] At the time of writing, a FIF assistant has also just been recruited.

[47] For example, the DFS pilot licensing process (see Section 6.3, EQ3.3, above) worked very well *("having been much more complicated in other parts of Asia"*).

[48] Such as LPSI (see footnote 6 on page 3 above); which was eventually taken out of the annual planning for 2016.

[49] During the often long period awaiting agreement preparation and signature, the MAFIPP program seeks to keep an open line of oral communication with awardees in order to prepare for implementation. However, one awardee claims to have felt encouraged (perhaps because of a misunderstanding) to proceed with the proposed activities/expenses before the actual agreement came through and then apply for reimbursement, but expenses eventually to be covered were not in line with the expectations of the awardee. On one occasion, the program also pre-mobilized TA support in order to not delay actual implementation further, but since the final grant agreement was never signed, committed resources had to be cancelled.

[50] While the general approach of the program is to target all levels (micro, meso and macro) in order to increase outreach, the definition of and strategy for financial inclusion are not clear. For example, which clients (apart from 'low-income') does the program seek to 'include' - Those without access to any financial services ('unserved'), those without access to formal financial

avenues and explore new opportunities.

In order to promote outreach, the program has made use of ***performance-based grant agreements (PBAs)***, through which grant/loan disbursements and TA support (with regard to both MicroLead and FIF funding) are linked to the achievement of concrete minimum and proposed targets. Some partner FSPs, however, believe the targets to have been set too ambitiously and/or not discussed beforehand. For example, while the targets in the original TA agreements between CARD and the four CARD grantees signed in 2010 were agreed upon, the targets in the revised PBAs of 2011 were apparently not negotiated with all grantees (a couple *"just had to accept the deal as it was"*). In this regard, CARD basically sought to transfer the overall outreach target (as defined in its grant agreement with UNCDF) as well as training and TA support envisaged for the original eight FSPs[51] onto the remaining four.[52] A couple of institutions also felt "*a bit too rushed"* towards achieving the outreach targets.

With regard to ***monitoring***, supported FSPs and other entities are required to submit ***quarterly and annual progress reports*** (as well as minutes of board meetings and audited financial statements)**.** In the case of the four CARD grantees, joint reports to MicroLead (and MAFIPP) covering all four FSPs (as well as the Microfinance Center – see Section 6.3, EQ3.2, below) were prepared by CARD (which also provided detailed accounts on a quarterly and yearly basis of all the training and TA support delivered). In general, working with other programs has entailed a challenge in the coordination as well as supervision of TA and performance, but the MAFIPP ITS is recognized for having *"managed this particularly well"*.[53] The relationship between CARD and the MAFIPP team has been *"very transparent and direct"*; the MAFIPP ITS has also participated in monitoring visits to the four CARD grantees. With specific regard to DFS, there was an initial lack of clarity on who should collect DFS related data from the pilot providers, but the MAFIPP team is now working with FISD to fill this gap.

Overall program performance is tracked against overall targets as well as yearly milestone in a ***detailed Results Framework monitoring tool***, which is updated on a quarterly basis and includes: (i) outreach (total and for each FSPs as well as outreach to women and youth); (ii) training and capacity building activities supported by the program or carried out by BoL (although the number, type and gender of participants are not always specified); and (iii) performance against each of the 17 PIs with both quantitative and qualitative reporting. Furthermore, a monitoring and evaluation (M&E) focal point was recruited in late 2014[54] and the MAFIPP team also liaises with the M&E officer of LADLF (see Box 1 in Section 2 above), with which FISD is also expected to sign a data sharing agreement. Upon the recommendation of DFAT, a risk management log was also introduced in 2014. Nevertheless, there are some gaps in the current monitoring framework; most notably with regard to tracking the poverty or income level of clients and other client data (such as the use of credit and/or business turnover) in order to assess the actual reaching out to the intended beneficiaries

services ('unbanked'), or those with some access ('underserved')? And how does the program intend to reach the targeted clients – Focusing on rural areas, or on poor districts? - and with what types of services - Savings led or credit led approaches? Or primarily through financial education?, etc.

[51] See footnote 4 on page 3 above.

[52] The revised end 2015 targets increased particularly for EMI and XMI – proposed target borrowers increased with 61.6% and 62.2% respectively and proposed target savers increased with 86.6% and 73.8% respectively. For SCU HP and SCU LP, the proposed end 2015 targets for borrowers increased with 14.0% and 18.8% respectively, while the proposed targets for savers actually decreased with 25.6% and 3.8% respectively.

[53] One example of this challenge is the ACLEDA feasibility study. The grant agreement with MicroLead (signed in 2012 and hence prior to the arrival of the MAFIPP ITS) included financing the implementation of a feasibility study. However, since support for the feasibility study was assumed to be provided by the ACLEDA parent company in Cambodia and no guidelines or other specific requirements were provided by MicroLead, the final study did not meet acceptable standards.

[54] The M&E focal point left during the third quarter of 2015, but the recently recruited FIF assistant (see footnote 46 above) is now in charge of M&E activities.

(namely low-income household and microentrepreneurs). Moreover, the program does not track the number of unique clients (but rather the number of savers and the number of borrowers). Finally, proper benchmarking (relevant for PI3.2 and PI3.3) is not yet possible due to the lack of reliable data at the sector level (although both the Consultant – see Section 6.4, EQ4.2, below – and the MAFIPP ITS have made some initial attempts).[55]

In terms of program reporting, narrative ***annual progress reports*** (including also financials and implementation progress as recorded by the Results Framework monitoring tool) are prepared in a timely fashion by the MAFIPP team and submitted to both UNCDF and DFAT. Moreover, the relationship with DFAT, the main funder, is judged to be very collaborative (*"The MAFIPP team goes above and beyond what can be considered as required"*). With regard to ***coordination with other donors***, relationships are more informal. The MAFIPP program is most closely 'intertwined' with GIZ's AFP initiative (see Box 2 in Section 3.1 above) and since they are both working with FISD an initial 'division of labor' was agreed upon (with GIZ focusing on village funds and support to data reporting and general regulatory matters – see Section 6.1, EQ1.1, above). Synergies with GIZ have also been sought with regard to DFS, but have for the moment been put on hold because of the respective implementation efforts being in different phases. On a more formal level, IFC hosted a financial sector scoping workshop in 2015, bringing together not only donors, but also other relevant stakeholders in Lao PDR.

With regard to ***program oversight***, apart from the regular PMC meetings, the regional UNCDF office in Bangkok as well as a UNCDF governance program specialist in Vientiane also provide general supervision and support to the program.[56] Finally, it is important to note that ***political commitment*** clearly goes beyond FISD as well as BoL as a whole. Also here, UNCDF has sought to strike a delicate balance between not 'overstepping' BoL as the implementing agency (and hence the main interlocutor also with regard to line ministries, the Prime Minister's Office, and other government bodies) and seeking to create buy-in at a higher political level. In general, since UNCDF is not a resident agency, it seems that the primary burden of creating and managing these higher level relationships have been placed on the MAFIPP ITS (with higher level UNCDF engagement from the regional office commonly being on a demand basis or at the regional level through the ASEAN networks). However, the MAFIPP program (and BoL) could probably benefit from a more strategic higher level support from UNCDF in order to truly promote financial inclusion at the country level. The recent hiring of a national program analyst with UNCDF FIPA in Vientiane could assist such higher level UNCDF efforts through coordination and raising awareness around financial inclusion.[57] Soliciting facilitation through the UNDP Resident Representative in Lao PDR and DFAT (and possibly also other donors) would also likely further support program efforts.

FIF design and process [EQ2.3]

As a complement to other MAFIPP related efforts towards building the capacities of and fostering innovations among individual FSPs and DFS providers as well as meso level institutions, the program includes the establishment of a 'challenge' fund (i.e. a competitive financing facility to disburse donor funding). The operationalization of the fund was delayed considerably because of discussions around the interest rate to be charged on loans to be disbursed from the fund. While the MAFIPP team, in line with the UNCDF/FIPA loan policy,[58] called for an affordable market interest rate that would prepare recipients for

[55] MFA also provides some benchmarking comparisons (also in relation to other countries) in its biannual monitoring and benchmarking reports (activity supported by ADA – see Box 2 in Section 3.1 above).

[56] As of the first quarter 2016, the oversight responsibility of the UNCDF governance program specialist has been taken over by the newly appointed UNCDF national program analyst (see below).

[57] The cost for the national program analyst position is completely borne by the MAFIPP program.

[58] The UNCDF/FIPA loan policy states that: "The interest rate applicable to the loan shall be set at a level which is below the

commercial refinancing, FISD argued for a more concessional rate. The two parties eventually agreed upon an annual interest rate of 6%[59] and the ***Fund for Inclusive Finance (FIF) was launched in July 2014 with an initial funding of USD 2.5 million*** (one-quarter of the program budget) from DFAT.

FIF support[60] is provided in the form of grants (TA grants and seed capital grants), loans and/or direct TA support under ***nine thematic areas***, namely: 1) Financial product innovation; 2) Delivery methodologies; 3) Payment system through use of technology; 4) Market information and intelligence; 5) Outreach and expansion; 6) Operational and financial system development; 7) Capacity building; 8) Institutional transformation; and 9) Responsible finance and client protection. The first three areas fall under the so called 'innovative' window, while the remaining six areas belong to the 'strategic' window. From an operational point of view, the fund is managed by the MAFIPP team's FIF manager, while the ***Investment Committee (IC)***, chaired by FISD and composed also of the UNCDF senior regional technical advisor and a DFAT representative (i.e. the PMC members), makes the final award decisions as well as provides general oversight.[61] The work of the fund is guided by a ***detailed Operations Manual***, which outlines the entire FIF application and award process[62] as well as provides the specifics and conditions of the support instruments, minimum requirements for applicants, eligible expenses, application and PBA templates, etc. A first version (Version 1.0) of the manual, which included considerations for preliminary feedback from industry stakeholders consulted during drafting, was completed in December 2013. Some parts of the manual (including the due diligence framework) are currently under review based on the initial lessons learned.[63]

With regard to ***FIF progress to date*** (as also summarized in further detail in Annex 10), a total of ***eight calls*** **-** namely six calls for expressions of interest (EoIs) and two direct calls for proposals - have been published across the first six (i.e. three innovative and three strategic) thematic areas since the launch of the fund in July 2014 and up until December 2015 (18 months). The first two calls for EoIs (FIF#1 Developing new products and FIF#2 Testing additional delivery channels) attracted a total of 34 applications from 27 FSPs, but only three FSPs were deemed eligible to submit full proposals. Subsequent calls have involved a more limited number of applicants, but all shortlisted candidates, and bidders in the case of direct calls for proposals, for completed application processes (two are still ongoing) have been approved by the IC for support from the fund. This accomplishment can at least partly be considered a testament to the assistance

commercial market rate of the country of the FSP operations, yet set sufficiently high so as not to serve as a disincentive to mobilizing savings or otherwise distort the market" (p.8).

[59] The FIF interest rate can be compared to the 10% charged by the Lao Access to Finance Fund (LAFF - see Box 2 in Section 3.1 above) on loans to FSPs for onlending to micro, small and medium enterprises [MSMEs] and private households (with the interest rate income to be used for capacity building activities at BoL's discretion). On the other (more concessional) hand, ADB's 'Northern Region Sustainable Livelihoods through Livestock Development' project (see Box 2 in Section 3.1 above) seemingly offered refinancing loans to village funds at close to 0% interest rates. In general, there is little room for maneuver with BoL having imposed a strict interest rate capping regime (with a maximum 4% interest rate spread as of August 2015).

[60] Through FIF, the MAFIPP program is also facilitating external investments into FSPs (see further the case of XMI in Section 6.5, EQ5.1, below).

[61] A total of three IC meetings have been held to date (the first in October 2014, the second in June 2015, and the third in October 2015).

[62] Following an open call for expressions of interest (EoIs), the FIF technical team (i.e. the MAFIPP team's FIF manager and a FISD representative) reviews all applications based on the following four evaluation criteria (and weights): (i) Capacity and experience of the organization (15%); (ii) Appropriateness of proposed approach (40%); (iii) Compatibility with MAFIPP/FIF objectives (30%); and (iv) Cost-effectiveness and value for money (15%). Shortlisted entities are subsequently invited to submit full proposals (including a detailed business plan). In some cases, a direct call for proposals (and business plans) can also be launched. In order to ensure adherence to the prescribed application format as well as certain quality standards, the FIF manager also assists in the drafting of proposals as well as undertakes due diligence assessments of shortlisted applicants. The final applications are first reviewed by the FIF technical team and then forwarded with recommendations to the IC. Finally, following the award, a PBA between UNCDF and the awardee is drawn up.

[63] A short-term consultant is currently engaged to support the revision of the due diligence assessment and other instruments and templates to be used during the application process.

(in some cases considerable) provided by the MAFIPP team to applicants in the drafting of proposals and business plans. As of December 2015, FIF had ***committed a total of USD 846,131 (one-third of the current size of the fund) to six awards*** (four FSPs, including two of the four CARD grantees, and two DFS providers) under four calls.[64]

FIF is ***well known within the microfinance sector*** in Lao PDR and interviewed stakeholders generally express a keen interest in (and appreciation for) the fund. However, they also point to a ***number of challenges within the specific country context***. In particular:

- The application process (both at the EoI and the proposal stage) is considered as very difficult by most FSPs since capacity for proposal writing and business planning is commonly very weak (*"They have no experience; just don't know how to do it"*); as evidenced also by the few shortlisted entities following the first two calls under the fund (see above). Beyond these 'technical' difficulties, however, a couple of stakeholders (at the global and meso level) also believe that many FSPs simply do not have the vision or interest in growing even if they are presented with opportunities for growth. Some FSPs have also had difficulties in understanding the true purpose of the (initial) calls. As a result, a number of FSPs have found the process *"frustrating"* and have been *"discouraged"* to try again. To address this challenge, the MAFIPP program has hosted an application writing workshop (which was considered useful by those who attended, but several stakeholders also called for the provision of more informal feedback to assist applicants during the EoI stage) as well as provided individual, and often substantial, assistance in the drafting of full proposals and business plans.[65]
- Most applicants also complain over the length of the process from announcement and application to award and actual implementation (*"It took too long; longer than necessary"; "It took so long that I had actually lost hope"*). While this is in some cases partly due to difficulties in drafting proposals and business plans on part of the applicants (see above), it is also, especially following an award, a result of the tardiness the fund itself (drafting and signing of PBA and also, in a couple of cases, the engagement of TA consultants[66] and/or the release of funds).
- Most consulted stakeholders say that even if some eligibility criteria have already been softened (i.e. revised downwards) and they *"understand the need for certain donor requirements"*, they do not consider them 'tailored' to the microfinance context in Lao PDR.[67] They are particularly concerned with the maturity (i.e. age of the institution) and size/outreach (i.e. number of clients) criteria, which are deemed to be too high compared the capacity of the sector as a whole (*"FIF should assist those who are weak and build their capacity, but those who get funding are already strong"*).[68] However, some

[64] Namely: FIF1#1 Developing new products: EMI (USD 89,026 grant to support product development and outreach with regard to the SmartKids initiative - agreement signed) and Phatthana Oudomxay (USD 40,880 in direct TA support for the development of an agricultural loan product and extension services - agreement signed); FIF#2 Testing additional delivery channels: Sasomsub (USD 36,225 in direct TA support for the expansion of outreach at new service unit through the adoption of the center methodology - agreement under finalization); FIF#3 Piloting BB / mobile financial services: BCEL (USD 190,000 grant and direct TA support for the development of DFS through agents - agreement signed) and Unitel (USD 115,000 grant and direct TA support for the development of mobile phone based financial services - agreement not yet signed); and FIF#6 Expanding loan portfolio through external refinancing: XMI (USD 375,000 loan for the extension of lending at two new service units – agreement signed). The awarding process is still ongoing for two calls (FIF#5 Extending outreach and FIF#7 Reducing PAR), while another two calls (FIF#4 Internal control and FIF#8 Supporting migrant workers in SEZ) did not result in shortlisted candidates (none of the applicants were deemed to meet the shortlisting requirements). Finally, under FIF#3, ETL was also granted USD 230,000 for the piloting of mobile phone based financial services, but the award was later cancelled since ETL pulled out following a change in management and lack of additional funding to support the proposed investment.

[65] Finally, to one FIF awardee, the costs to eventually be covered by FIF were not entirely clear - the award letter only provides notification of the award without specifying approved expenses (these details are only outlined in the PBAs).

[66] However, the engagement of TA consultants can take long also when the recipient institutions are in charge of procurement.

[67] Concerns over the eligibility criteria were also raised at the 15th and 16th PMC meetings in 2015.

[68] One relatively strong and larger market player also said that it had itself not applied for funding from FIF specifically because it

eligibility criteria depend on the type of support instruments used and the thematic area under consideration – while stricter criteria necessarily need be applied to certain initiatives, both smaller and younger institutions can be considered for TA grants and direct grant support under some themes (especially within the strategic window).[69] It seems that FIF has (sensibly) adopted a rather flexible approach seeking to adjust some criteria on a case-by-case basis depending on the nature of the call. The portfolio-at-risk (PAR30) criterion is also mentioned by some stakeholders as too strict for the Lao PDR context (especially for SCUs). However, instead of revising the 'standard' criterion,[70] the fund has appropriately launched a call to address the problem itself (FIF#7 Reducing PAR – open to FSPs with PAR30 >5%). Furthermore, in order to support smaller and weaker institutions, the 17th PMC in September 2015 discussed the possibility of introducing an additional FIF instrument in the form of 'cluster training' targeting institutional governance and management.

- The 25% cofinancing share is considered an obstacle for SCUs since they need members' approval for internal reinvestments of dividends (*"It would be too cumbersome and long of a process to negotiate spending with members – and then they would never accept"*).
- Although reduced from the initial USD 500,000, the minimum loan amount of USD 200,000 is still considered as too high by most FSPs (*"It is beyond our reach; we cannot manage so large cash flow fluctuations"*).

In general, the fund clearly has to strike a delicate balance between supporting larger and stronger FSPs (in order to have a chance at reaching the ambitious outcome target) on the one hand and smaller and weaker ones (in order to support outreach in designated or more remote areas) on the other hand.

Finally, FIF was ***originally intended as a multi-donor platform*** with different funding windows in order to support coordination and economies of scale, but the only participating donor to date is DFAT.[71] A coordinated donor effort has, however, not (yet) materialized in this regard seemingly because: (i) agreements for the setting up of similar financing mechanisms - including KfW's Lao Access to Finance Fund (LAFF), which is also attached to BoL, but with the Banking Supervision Department - had already been taken prior to the establishment of FIF; and (ii) of a simple lack of funding (or perhaps even interest?) on part of other donors engaged in the financial inclusion field in Lao PDR (even if some lines of credit to banks towards supporting access to finance for micro, small and medium enterprises [MSMEs] appear to be in the pipeline – see further Box 2 in Section 3.1 above).

Quality of service delivery [EQ2.4]

In support of the various stakeholders at different areas of intervention (global, macro, meso and micro level), the MAFIPP program has supported the organization of a series of training initiatives and workshops as well as exposure visits, conferences and summits in order to build capacity and disseminate best practices. Overall, a total of ***59 events with 1,355 participants*** have been facilitated in the 2010-2015 period. Table 6 below shows the breakdown per typology of event, while Table 7 presents participation by level of intervention. On the whole, macro (namely BoL) and micro level entities/participants have benefitted more. The capacity building needs of the stakeholders appear to have been identified during the

rather wanted to give the opportunity to weaker and smaller institutions operating in remote and more difficult areas *("not so necessary for us")*.

[69] In fact, the minimum number of clients for the last two calls (FIF#7 reducing PAR and FIF#8 supporting migrant workers in SEZ) was set at only 500, while the minimum age of the institution was set at one year (FIF#8) and three years (FIF#7).

[70] Although more recent calls (FIF#6 expanding loan portfolio through external refinancing and FIF# 8 supporting migrant workers in SEZ) have set the PAR30 criterion at less than 5% or 6%, the Operations Manual states "less than 10% or positive trend in the last 3 quarters" in certain cases.

[71] In March 2015, BlueOrchard (approached by the MAFIPP team) apparently expressed some interest in cofinancing FIF.

design phase and then slightly adjusted throughout the course of program implementation, but a systematic tool to gather information on the effective needs, such as the learning needs and resource assessment (LNRA) tool used in other UNCDF programs, has seemingly not been applied.

Table 6. Typology of capacity building events

	Training initiatives / workshops	Exposure visits	Conferences / Summits	Total
Number of events	27	19	13	***59***
Number of participants	989	82	284	***1,355***

Table 7. Capacity building events by typology and participation by level of intervention

Level of intervention	Training initiatives / workshops	Exposure visits	Conferences / Summits	Total number of events per level of intervention
Global	2	2	7	***11***
Macro	16	14	10	***40***
Meso	9	1	3	***13***
Micro	18	4	3	***25***

Note: Stakeholders from different levels of intervention participated simultaneously at most events; some events are hence counted more than once.

Technical service providers (TSPs) have been selected by way of international competitive bidding processes. Key selected TSPs include: (i) CARD, with MicroLead funding, for the provision of training and TA support to build the institutional capacity and support product development and the center methodology approach with four FSPs (i.e. the four CARD grantees); (ii) MicroSave for the provision of initial support for the development of DFS (TA to FISD for the drafting of the Regulation on Mobile Financial Services; development of business cases for DFS for BCEL, ETL and LDB); and (iii) PHB Development for the provision of additional DFS support (TA to FISD for the drafting of the Regulation on Mobile Financial Services; TA to BCEL and Unitel in preparation of pilot license applications; TA to BCEL for the piloting of agent banking services).

Interviewed stakeholders are ***generally satisfied*** with the quality of training, TA support, and exposure visits, in terms of: (i) Topics addressed (*"Learnt a lot"*; *"We would have not otherwise cared about the types of products or market segments"*); and (ii) Consultants' experience, skills and preparation, even if language barriers were considered at times to have hampered the full understanding between the partners and the TSPs. A couple of beneficiaries at the micro level, however, lamented that the support received was not enough and/or poorly contextualized to local circumstances. Partner FSPs and other stakeholders are also generally very appreciative of program management and support, appraising the skills, availability and flexibility of assistance provided. On part of one of the TSPs, namely CARD, the main challenges encountered were related to the difficulties (even reluctance in some cases initially) on part of partner FSPs to accept and adopt proposed changes and implement recommendations. Moreover, support was initially hampered by the limited availability of capable local staff (notably interpreters) and a high turnover among consultants and cultural differences with regard to timing.

Finally, assistance provided by contracted TSPs does not seem to have been formally evaluated, neither through satisfaction surveys on part of the final beneficiaries nor by the MAFIPP program.

6.3 Effectiveness to Date

EQ3. To what extent is the program supporting an increase in (i) capacity of partner institutions at the micro, meso and macro levels (output delivery) and (ii) outreach (outcome achievement)?

Output micro level: Comprehensive individualized training and TA support to four FSPs (CARD grantees) – differentiation of credit products (including launch of six new products); promotion of center methodology approach to delivery (successfully institutionalized by two grantees) and extension of services into new districts; varied performance, but sizeable growth in number of savers and borrowers, albeit with challenges in reaching defined PBA targets (especially with regard to credit); improving loan portfolio. Individual assistance to (potential) DFS providers and improved awareness of challenges and opportunities, but only one pilot launch to date.

Output meso level: Transformation of informal working group into a registered and established Microfinance Association - provision of effective training and capacity building (including a comprehensive Microfinance Master Certificate Course) as well as advocacy services; recognized as industry representative with 53 MFI and SCU members (including three-quarters reporting performance data and a growing number contributing financially and/or in senior management time).

Output macro level: Substantial capacity building and sensitization support for the strengthening of capacity and practices of FISD/BoL – engaged in industry dialogue (through annual forums and dedicated working groups); creation ex novo of initial regulatory framework for development of DFS and granting of three pilot licenses; recent publication of Implementation Guidelines for the microfinance sector, but 2012 Decree on MFIs still in draft format; implementation of an evidence-based diagnostic and programmatic framework (an exceptional and participatory policy effort).

Outcome: Struggling to achieve (perhaps too) ambitiously set outreach targets – 56% attainment of end-of-program target for traditional financial services; outreach of DFS yet to take off. Not possible to ascertain actual outreach to intended beneficiaries (i.e. 'low-income' clients).

Output delivery (micro Level) [EQ3.1]

FSPs

ACLEDA has received MicroLead funding for the establishment of five new service units (as well as for the carrying out of a feasibility study on mobile banking services – see below), but no capacity building support.[72] Nevertheless, ACLEDA is also addressed to some extent in this section for purposes of comparison. Institutional strengthening efforts at the micro level have rather focused on the four CARD grantees. In fact, CARD, with MicroLead funding, has provided ***substantial and comprehensive individualized capacity building support*** to these four FSPs between 2011 and 2015. More specifically, training as well as short term and long term TA support have included the following areas (with both content and length customized according to the institution and type of TA/training): (i) Credit and savings management (including delinquency management and adequate loan assessment procedures); (ii) Internal control and audit; (iii) Human resources management (including training of new and existing staff); (iv)

[72] Capacity building support to ACLEDA (especially with regard to the feasibility study on mobile banking services – see below) was expected to come from the parent bank in Cambodia, but was in practice very limited. Even if direct TA support was not envisaged for ACLEDA under MicroLead funding (which ended in 2014), it has, with support from the MAFIPP program, taken part in an exposure visit on DFS product innovation in rural areas in February 2015 as well as undergone a Helix agent network management training in the Philippines in May 2015.

Financial management and MIS (including MBWin training);[73] (v) Training module development; (vi) Strategic business planning; (vii) Product development; (viii) Marketing for funding; (ix) Market research; (x) Microinsurance; (xi) Good governance; (xii) Accounting for non-accountants; (xiii) Social performance management (including client protection); (xiv) Client handling and management; (xv) Computer literacy; and (xvi) English proficiency.

General institution building support has been provided throughout the 2011-2015 period, with the first two/three years primarily dedicated to management of portfolio quality and savings mobilization and the last years more targeted at credit product development and client expansion. Apart from on-site support, the CARD grantees have also participated in an exposure visit to the Philippines in 2014 in order to study the center methodology approach to delivery (see below).[74] Furthermore, CARD has specifically assisted XMI in the transformation from a limited liability company to a state-owned enterprise[75] and, still ongoing, into a deposit-taking institution[76] as well as in the preparation of a number of funding proposals for foreign investors/donors.[77] Finally, in addition to CARD training and TA support, a total of eight managers from the four FSPs[78] have also completed the MFMCC of the MFA (see further EQ3.2 below).

One key achievement of the CARD support has been the ***differentiation and branding of credit products*** (other FSPs in Lao PDR commonly only have one type of loan). As illustrated in Table 8 on the following page, and with further details on the specific credit (and savings) products provided in Annex 11, the four CARD grantees now offer a selection of loan products (six of which have been specifically developed and launched with CARD support). Apart from more 'normal' multipurpose and business loans, all but EMI now also have agricultural loans (where the capital is payed off at the end of the loan term), while all but SCU HP provide education loans and XMI and SCU LP also supply emergency loans.[79] SCU HP has also developed an education and an emergency loan with CARD support, but these credit products are currently not used by (or offered to) clients. In comparison to the four CARD grantees', the loans of ACLEDA are only categorized by size, and not by purpose (all loans are hence classified as multipurpose credit).[80] With regard to savings, all FSPs (including XMI, even if it is not yet a licensed deposit taking MFI) offer current savings (passbook) accounts, while ACLEDA and the two SCUs also provide fixed term deposits.[81] XMI and to some extent also EMI also rely on compulsory savings in substitute of (or in addition to) collateral or guarantor requirements.[82] None of the partner FSPs currently offer payment/remittance services, but XMI is anticipating to become an agent for BCEL (see below) in the near future. Finally, EMI is expected to pilot a

[73] The TA agreement with XMI also foresaw the assistance in the automation of the MIS (selection of vendor, data migration and funding up to a maximum of USD 21,000).

[74] CARD support also included covering the costs for the external audits carried out between 2012 and 2015.

[75] This transformation was recommended by BoL since the majority share of the company is held by the provincial Oudomxay government.

[76] This process started at the end of 2012, but has not yet concluded – see further Section 6.4, EQ4.1, below.

[77] Including Oikocredit - a LAK 2 billion loan was approved by Oikocredit in December 2012, but since regulations around foreign commercial lending were not clear and XMI later transformed into a state-owned enterprise, the loan was cancelled.

[78] Two EMI; four XMI; one SCU HP; and one SCU LP. Two managers from each of the two FIF grantees Phatthana Oudomxay and Sasomsub have also completed the MFMCC.

[79] XMI is also planning to launch an additional two credit products during the course of 2016.

[80] It should, however, be noted that distinguishing credit by purpose might not always be called for by the clients. Even if the market research carried out with CARD support apparently pointed to the need for developing specific education and emergency loans for example, clients also seem to appreciate *"larger and more fungible"* loans rather than different loans for different purposes (*"Too much of a hassle to apply for several specific loans"*). Also, the 'brand' or type of credit might not necessarily be clear to the clients (in fact, most FGDs participants did not really know which type of loan they had, even if they did know, more importantly, the conditions of the credit – see further Section 6.4, EQ4.3, below).

[81] XMI also used to have fixed term deposits, but has suspended this kind of savings accounts until it receives its license as a deposit taking MFI.

[82] At the end of 2015, all (except a very small group) of the XMI savers and half of the EMI savers were compulsory savers.

microinsurance product developed together with Allianz and with the support of CARD.[83]

Table 8. Types of credit and savings products offered by MicroLead FSPs

Products		ACLEDA	EMI	XMI	SCU HP	SCULP
Loan products	Multipurpose	√	√	√	√	√
	Business				√	√
	Agricultural			**√**	√	√
	Salary		√*			
	Consumption		√		√	
	Education		**√**	**√**		**√**
	Emergency			**√**		**√**
	Compulsory savings		√	√		
Savings products	Current (passbook) deposit	√	√**	√	√	√
	Fixed term deposit	√			√	√

Notes:
New product developed and launched with the support of CARD.
ACLEDA's credit products are divided by loan amount (not purpose).
SCU HP's credit products are marketed by loan amount (not purpose), but purpose (divided into multipurpose, business/trading, agriculture and consumption) is recorded at the time of loan application.
* Offered to government workers at the Paklai and Vangvieng mobile service units (respectively in the Xayabouly and the Vientiane province - see further Annex 12).
** Including youth-specific savings accounts (SmartKids – see further Section 6.6, EQ6.5, below).

With regard to the specific conditions of the credit products of the four CARD grantees, as summarized in Annex 11, they naturally vary across the types of loans as well as between FSPs. Some more or less common features nevertheless exist. First, all loans are individual loans (as *"culturally people are not inclined to form guarantee groups"*).[84] Second, the maximum loan amounts are usually around LAK 3-5 million (≈ USD 350-600) for the smaller sized (education, emergency, consumption or microbusiness) loans and up to LAK 10 million (≈ USD 1,200) for other types of loans (usually agricultural or larger business loans); the latter being the official ceiling for a 'microcredit' until the recently published Implementation Guidelines raised it to LAK 50 million (≈USD 6,200 - see further EQ3.3 and Section 6.4, EQ4.1, below). All but XMI also have one (or two) credit types beyond the LAK 10 million ceiling. Third, a flat monthly rate of 3-3.5% (brought down from 4% by all four CARD grantees in 2013 and 2014) is usually applied in line with the BoL interest rate ceiling for loans up to LAK 5 million (≈USD 620).[85] Exceptions include two larger sized, i.e. above LAK 10 million, EMI credits (a development loan and a salary loan) for which a declining monthly rate is used.

On the whole, as presented further in Section 6.4 (EQ4.3) below, ***consulted clients appreciate the products offered***. The only more common complaint with regard to the conditions is the maximum loan amount, which is generally considered as too low (especially for clients with more than three/four credit cycles). Furthermore, the majority (84%) of clients consulted during the in-country visit are 'new' clients, i.e. having become clients of the partner FSP after the start of CARD support. Among the few 'old' clients, three members of SCU HP claimed that both product conditions and general staff services have changed for the

[83] After three years of consultations, EMI is apparently about to receive the authorization from the MoF (BoL has already provided its 'no objection') for the launch this microinsurance product.

[84] ACLEDA on the other hand has one group loan product, even if it is not frequently used (in fact, the ACLEDA service unit in Xaybouly, where the Consultant held a FGD and interviews with clients, has no clients with group loans).

[85] In comparison, ACLEDA, being a commercial bank, applies a 12-14% annual interest rate on a flat or declining basis depending on the loan amount (a flat interest rate is applied on loans below LAK 20 million [≈ USD 2,500]).

better (*"Process was not friendly and not fast"* before). The very few old clients of the other FSPs appreciate the recent drops in interest rates on loans, could not point to (or remember) any other specific differences between before and after CARD support (they were generally pleased with the products and services also prior to 2011).

Apart from general institutional support and product refinement and development, CARD has also promoted a particular delivery approach, namely the ***center methodology***.[86] This approach involves the creation of 'centers' at the village level (usually with the strong engagement of, or at least support from, village leaders or chiefs) in order to reach out to remote areas. These centers hold regular (usually weekly, but in some cases also monthly) meetings at which loan payments and savings deposits are made (in some cases savings can also be withdrawn)[87] and other relevant matters are addressed. The meetings are facilitated by the loan officers assisted by center leaders and/or secretaries elected among the group of clients forming the center. In the case of Lao PDR, as mentioned above, even if the center constitutes a group of clients who meet regularly, all loans are individual loans.

Despite some initial (institutional as well as cultural) difficulties with changing from an individual to a group-based approach, both ***EMI and XMI***, having realized the potential market opportunity,[88] ***have successfully embraced and institutionalized the center methodology***. XMI, which piloted a similar outreach approach also before CARD support[89] and with 536 centers at the end of 2015, is now only based on the center methodology (i.e. all clients, except the village funds, are center methodology clients).[90] EMI offers the center methodology at five of its ten branches (see further Annex 12). In December 2015, with a total of 241 centers, EMI's center methodology clients (70.9% female) accounted for 83.5% of all borrowers.[91] The application of the center methodology has been ***less successful with the two SCUs***. SCU HP launched its first center (in the Dongmakyang village) in June 2012, but at the end of 2015 it only had six active centers with a total of 267 savers (4.7% of all savers). Similarly, SCU LP, having established the first center (in the Phousanglham village in the Nan district) in September 2012, only had 217 savers (3.6% of all savers and 1.3% of outstanding savings) connected to 11 centers in December 2015. The two SCUs, which are both smaller institutions with limited manpower, have found it difficult to encourage and motivate staff on the one hand (*"They are used to working with clients individually"*) and clients on the other hand (*"No willingness to form groups culturally"*). Both SCU HP and SCU LP hence continue to serve most of their clients on an individual basis from the main branch. In fact, they both offer a very personalized, 'door-to-door', service; apart from transacting at the main branch, the clients can also transact directly from their homes or businesses through the loan officers, who either pass by on a regular, sometimes even daily, basis (SCU HP) or upon appointment (SCU LP).

Furthermore, an important achievement on part of the partner FSPs (notably EMI and XMI as well as ACLEDA) includes the ***extension of services into new districts***. Despite the regulatory challenges (see

[86] Apart from XMI, the other three CARD grantees claimed that they would probably not have tried or applied the center methodology approach had it not been for CARD support.

[87] EMI clients can withdraw up to LAK 500,000 (or in some cases even higher if the loan officer has enough cash) at the center, while XMI allows for center savings withdrawals of up to LAK 1 million.

[88] In 2010, XMI understood that it *"would not survive"* if it relied primarily on the village funds as a client base, while EMI, active mostly in the Vientiane capital area (where competition is relatively strong), saw the center methodology as an opportunity to reach out to less urban (and less competitive) areas.

[89] Previously, the XMI centers only focused on local collection of loan repayments without actual meetings (i.e. clients just paid and left).

[90] Village fund clients represented 18.2% of all XMI clients in December 2015.

[91] As presented in Annex 11, EMI has specific center methodology loan products (with conditions that are different from the 'normal', branch-based, loans). The center methodology loans are hence also classified differently.

Section 6.4, EQ4.1, below) with and lack of funding for expansion of the official branch (or service unit - as a ‘substitute’ for an official branch) network, the four CARD grantees and as well as ACLEDA (through the five service units established with MicroLead support) were ***physically present*** (through a total of 27 branches, service units and mobile service units) ***in 26 districts across 10 provinces*** at the end of 2015 (see further Annex 12).[92] EMI’s Phonghong branch (Vientiane province) also serves an additional two neighboring districts. Out of the 27 branches and units, 16 (three-fifths) have been established after 2010 (i.e. during the course of CARD support and, in the case of ACLEDA, thanks to MicroLead funding).[93]

Other more general achievements include clearer governance and management structures as well as improved internal control and loan assessment procedures. On the whole, CARD support eventually managed to secure both board and management buy-in with all four grantees, but some of them (primarily XMI, but also EMI and SCU LP to some extent) have faced challenges in recruiting and retaining staff. With specific regard to the ***PBA targets,***[94] ***performance has varied***. As summarized in Annex 13, the four CARD grantees as a group fulfilled the proposed target for the number of depositors by December 2015 (i.e. at the end of CARD support), but primarily because of a substantial (100%) over-achievement on part of EMI (thanks to its SmartKids initiative – see Section 6.6, EQ6.5, below). XMI underperformed by almost one-quarter with respect to the minimum target, while both SCUs almost reached their minimum targets. In terms of outstanding savings balance, both EMI and SCU HP reached their proposed targets, while XMI and SCU LP failed to meet also their minimum targets (resulting in the minimum target being reached as a group). Performance with regard to credit has been sluggish. In fact, none of the four CARD grantees managed to fulfil even the minimum targets in terms of the number of borrowers (even if EMI and XMI respectively achieved the minimum and the proposed target for gross loan portfolio). ***In general, EMI and XMI have performed better in terms of client outreach than the two SCUs*** seemingly thanks to the successful adoption of the center methodology and more proactive marketing. Client outreach is more modest for SCU HP and SCU LP, but growth is still noticeable (especially considering that they both started off at much lower baseline levels in 2010). See further Annexes 14 and 15, which respectively provide an overview of the number of depositors and borrowers for the four CARD grantees (as well as ACLEDA) over the 2010-2015 period.

The ***challenge of credit outreach*** is explained by the majority of consulted stakeholders at all levels as a cultural issue.[95] While most communities demonstrate a strong savings culture, the country as a whole is traditionally debt averse (*”Clients are more willing to save than to borrow”*). There also seems to be a notion of ‘business’ only entailing ‘big business’, which requires larger capital investments. Small scale activities (such as backyard gardening, poultry farming, etc.), even if income-generating (with surplus sold at the market), are not always considered as actual business activities. These ‘opinions’ are broadly confirmed by the findings of the recent FinScope study (see EQ3.3 below); 72% of FinScope respondents agreed with the statement that ”It is better to save where your money is safe than to take risks to make more”. Furthermore, out of the 80% of respondents who do not borrow, 53% said it was because they have a ‘fear of debt’. In general, the non-use of credit does hence not necessarily seem to be an access problem (none of the FinScope respondents said ‘do not have someone to borrow from’). Nevertheless, the cultural attitude towards debt is possibly changing. The draft findings of a 2015 study in Southern Lao PDR on

[92] Hence covering 17.7% of all districts in the country.

[93] And client outreach at new branches / service units is growing fast in some cases. For example, at the end of 2015, XMI’s Beng service unit (established in May 2015) and Namo service unit (opened in September 2015) had already reached out to respectively 1,439 savers and 379 borrowers and 1,155 savers and 175 borrowers by December 2015.

[94] I.e. those specified in the 2011 PBAs. As mentioned in Section 6.2 (EQ2.2) above, the 2011 PBA targets are quite substantially higher than those originally set in the 2010 PBAs.

[95] From the perspective of MFIs and SCUs, there is also more competition with regard to credit (with banks and village funds offering lower interest rates).

"Household responses to access to finance through GIZ-AFP Village Banks", conducted by the Laos - Australia Development Learning Facility (LADLF – see Box 1 in Section 2 above) and the GIZ implemented AFP program, show that the accessibility of village banks can actually increase the confidence in using credit. More specifically, the availability and increasing use of emergency loans seem to encourage the use of credit also for productive purposes on part of surveyed households. The study also concludes that, on the whole, village banking members actually rely on credit more often than they withdraw their savings (especially in cases of emergencies).[96]

Returning to the PBA targets; the ***quality of loan portfolio has improved*** for all four grantees during the period of CARD support. By December 2015, except for the poorly performing (albeit improving) SCU HP portfolio (PAR 30 of 9.5%),[97] the other three FSPs were all below the proposed PAR30 target of 5%. In terms of operational self-sufficiency (OSS), CARD reports on all four FSPs having achieved both the minimum and the proposed target in 2015 (which had both been set relatively high for all but EMI). However, based on the Consultant's own calculations of the OSS ratio[98] for EMI (the only of the four CARD grantees for which a 2015 financial statement is available), it falls short of both the proposed and the minimum target. Based on the adjustment for EMI (to correctly account for all operating expenses), it is likely that also XMI would be below the minimum target and SCU HP below the proposed target (the position of SCU LP is unclear).

As a group, the four FSPs reached the proposed target for female borrowers, but only the minimum target for female depositors. Except for SCU HP, the percentage of female clients has in fact gradually decreased over time.[99] It is also interesting to note that the ***center methodology***, at least with EMI (the only FSP for which an internal comparison can be made), ***seems to promote female access***. On average, 70.0% and 89.4% respectively of center methodology savers and borrowers are female, compared to 60.4% and 58.9% respectively for 'normal' savers and borrowers (i.e. those with access only at the branch / service unit).[100] Furthermore, in order to seek to promote outreach to 'low-income' clients (the intended target beneficiaries of the program), the PBAs set the average savings as well as loan balance at a maximum of 20% of GNI per capita. While all four FSPs remained well below this limit with regard to the average savings balance, the average loan balance as a percentage of GNI per capita was around 30.5% for the group as a whole in December 2015 (see further EQ3.4 below).

Finally, ***ACLEDA performed quite poorly with regard to the targets as set out by the PBA*** (see Annex 16).[101] In fact, by the end of MicroLead funding in December 2014, ACLEDA only managed to reach the minimum target with regard the number of depositors and microsavers (i.e. depositors with a savings balance below USD 1,500). With regard to all other indicators, neither the proposed nor the minimum targets were met. As for the CARD grantees, targeted credit outreach was particularly difficult to fulfil. However, by the end of 2015, ACLEDA had reached the proposed 2014 target for both borrowers and microborrowers (i.e. those with a loan balance below USD 1,500). In fact, in 2015, borrowers registered a 76.2% growth and microborrowers a 112.2% growth. 2015 also saw a significant increase in the number of female depositors (up from 38% in 2014 to 55% in 2015).

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[96] "74% of survey respondents said they used a loan from the village bank to pay for a medical emergency" (February 2016 draft report, p.14).

[97] PAR30 for SCU HP has decreased from a peak of 16.4% in December 2013.

[98] The CARD OSS definition (operating revenue / operating expense) does not match global standards of calculating OSS (namely operating revenue / [operating expense + financial expense + loan loss provision expense]) as applied by the Consultant as well as by MixMarket, the Consultative Group to Assist the Poor (CGAP), etc.

[99] In the case of XMI, this can be explained by the fact that it only served women until 2012 and then also opened up to men.

[100] The SmartKids and other HQ / main branch accounts have not been included in the calculations.

[101] All PBA targets (also those regarding outreach) refer to the institution as a whole and not only the five branches established with MicroLead funding.

DFS Providers

Also at the micro level, the MAFIPP program has supported (potential) DFS providers as part of its overall ‘ecosystem’ approach to the promotion of DFS in Lao PDR. A total of five entities have received individual assistance in the form of TA[102], organized study tours[103] and/or direct financing from FIF (or MicroLead) to promote the piloting of branchless banking (BB) or mobile money (MM) services. More specifically (of which the first three were awarded their pilot licenses for DFS in 2015):

- ***BCEL***, the largest state owned commercial bank in Lao PDR, was first supported in 2013 for the development of a business case for MM and mobile financial services and subsequently, in 2014, awarded a USD 190,000 grant from FIF (with a 50% cofinancing share) to develop and launch the pilot phase.[104] An agent banking network, BCEL’s Community Money Express (BCOME), was launched in June 2015 and is currently offering different services, even if with limited functions (namely over the counter [OTC] transfers and deposits to own or third part account, but withdrawal from account and account opening are not yet allowed), across the country. With support from the MAFIPP program, BCEL (albeit not completely new to the mobile banking sector)[105] has institutionalized DFS services within the Treasury and International Services Department (TISD) and is now ***reaching out to a new segment of the population, seeking to target rural areas*** (see further Box 4 at the end of this section).
- ***ETL***, a state-owned mobile phone operator with a nationwide network, was initially considered a promising partner for the launch of MM services. In the beginning, it seemed that moving into DFS would be the “*natural extension of its core business*”. Despite its proactive interest and participation in workshops and exposure visits, however, the ***support received*** in building a business case ***has not translated into concrete achievements***. A FIF grant of USD 230,000 (and 50% cofinancing) was awarded in 2014, but the TA and grant agreement was never signed by ETL; at the end of 2015, ETL ***interrupted the DFS pilot phase***[106] due to a change in management and lack of additional funding to support the proposed investment.[107] MAFIPP is nevertheless keeping an open line of communication with the expectation to possibly resume collaborations.
- In 2015, ***Unitel***, a private joint venture mobile phone operator between Lao PDR and Vietnam, was also included in the group of potential DFS providers to be supported by the MAFIPP program. A USD 115,000 FIF grant (50% cofinancing) was awarded upon the receipt of its pilot license. However, the TA and grant agreement has not yet been signed and the launch of the pilot has been delayed because the selection of the vendor for the IT platform has taken longer than foreseen due to lengthy technical analyses and negotiations with potential vendors as well as slow internal procedures on part of Unitel. Nevertheless, in the words of one global level stakeholders: “*Unitel is* ***the big bet right now****; if it enters the market, it would change the game*”.
- ***LDB***, a state-owned commercial bank, has also received support to develop a business case for DFS, but later decided to not proceed. In general, and already since the beginning, LDB has seemingly shown “a more ***limited engagement and less commitment***” than the other potential DFS providers.
- Finally, ***ACLEDA*** has received grant funding from MicroLead (but no TA as this was expected to be

[102] In 2013, MicroSave supported BCEL, ETL and LDB in developing business cases on the best way to enter the market. As of 2014, PHB Development is assisting BCEL and Unitel in actual implementation of the pilot phase (development and design of products and services, etc).

[103] Namely to Cambodia (BCEL and ETL as well as Beeline, LPSI, LTC, and Phongsavanh Bank), Philippines (ACLEDA, BCEL and ETL) and Uganda (BCEL).

[104] Another grant of USD 65,000 to launch an awareness campaign has apparently also been approved, but not yet disbursed.

[105] Prior to the MAFIPP program, BCEL was using MM & BB through a mobile phone application, targeting clients with higher levels of education.

[106] And the FIF award was subsequently cancelled.

[107] A potential merger with Lao Telecom Company (LTC) is apparently also under discussion.

provided by the ACLEDA parent bank in Cambodia) for the carrying out of a feasibility study on mobile banking services. The study was completed at the end of 2014, but was not considered adequate or compliant with certain standards (the initial grant of USD 200,000 was consequently reduced by USD 50,000). The lack of TA support might have prejudiced this outcome. Nevertheless, in 2015, ACLEDA apparently carried out a new feasibility study with its own internal resources, but even if investments into DFS were deemed viable, possible ***commitments have been postponed until 2016***.

Consequently, despite substantial support from the MAFIPP team at both the micro and macro level (see EQ3.3 below), only one (namely BCEL) out of the three pilot licensed providers had started implementing its DFS strategy at the end of 2015. Although BCEL's performance has been picking up in 2016 (see Box 4 on the following page), the development of DFS is so far proceeding at a relatively slow pace. However, this could perhaps also be expected given the initial 'embryonic' stage of the sector as a whole (*"Started from zero"*) and the large upfront investments required (and long term returns). Nevertheless, most involved stakeholders believe that the ***level of awareness*** (exposure to knowledge) ***on part of (potential) providers with regard to the challenges and opportunities with DFS has increased***. The general perception is that most possible players are just prudently waiting to enter the DFS market (*"They are waiting to see what will happen with the BCEL pilot"*).

Box 4. BCEL targets and actual outreach

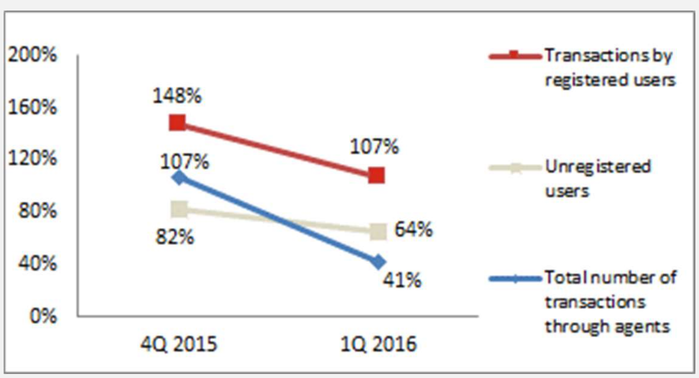
BCEL's BCOME service was launched mid 2015 and ***as of December 2015, 773 unregistered users**** had carried out OTC transactions through a network of 33 registered agents (of which 30 active). The total number of transactions amounted to 1,753, with a limited number (295) done by registered users. These figures do not show any significant gender differences: 43.2% of the unregistered users were female and 47.8% of the transactions were carried out by women. At the end of 2015, 77% of the active agents were located in rural areas. ***Agents' productivity is, however, currently very low*** if compared to what they are supposed to achieve according to the PBA. Indeed, according to BCEL, most agents still do not seem to realize the real benefits of providing transaction services and the commissions they earn are considered low. The BCOME agent network is nevertheless growing fast, attracting merchants or entrepreneurs in areas where BCEL operates, but also involving branches / service units of other FSPs. The agreement with Champalao (and possibly also XMI) would expand outreach in other and more remote areas.

	Year 1		Year 2		Year 3		Year 4		Year 5	
	PBA	Actual[A]	PBA	Actual[B]	PBA	Actual	PBA	Actual	PBA	Actual
Tot. no. of users for the year - cumulative	1,085	773	7,435	1,271	31,000		80,095		149,915	
Tot. no. of active users for the year - cumulative	326	n/a	2,233	n/a	9,305		24,036		44,985	
Tot. no. of agents for the year, cumulative	21	33	80	60	216		305		410	
Average no. of users per agent (No.)	52	23	93	21	144		263		366	
Average monthly revenue/agent	88	n/a	235	n/a	757		2,101		5,227	

[A] Q3 and Q4 2015

[B] Q1 2016

Considering the results as of the ***first quarter 2016, the situation looks encouraging with 1,271 unregistered users*** and a total of 2,478 transactions (of which 611 were carried out by registered users). Furthermore, more transactions (cash in, cash out, and OTC transactions for bill payments and money transfer) are carried out through agents than at the BCEL branches or service units. The quarterly growth rates, as illustrated in the graph below, are indeed very high. These trends are obviously driven by the typical growth pattern that characterizes the initial stage of sector development and by the fact that numbers are still very small.



* Number of customers who report using services through somebody else's account, including through an agent's account (OTC services).

Note: The monitoring of DFS related activities do not fully match the definitions of PBA targets; two indicators in the BCEL agreement with UNCDF, namely the number of active users and the average monthly revenue per agent, are not tracked.

Output delivery (meso Level) [EQ3.2][108]

The primary target of MAFIPP support at the meso level has been the ***Microfinance Association (MFA)***.[109] Supported primarily by ADA (but also by GIZ and SBFIC - see further Box 2 in Section 3.1 above), MFA was awarded a direct MAFIPP grant of USD 120,000 in June 2014 towards providing general institutional and operational support[110] up until March 2016. MFA has also participated in a number of MAFIPP supported consultation and training events (including DFS related workshops). The additional MAFIPP funding primarily allowed for the completion and delivery of the ***Microfinance Master Certificate Course (MFMCC)***.[111] The course, a shortened version of the microfinance curricula of the Frankfurt School of Finance and Management developed in consultation with industry stakeholders in Lao PDR, is structured around the following eight modules: (i) Basics of microfinance; (ii) Business and strategic planning; (iii) Human resources management and planning; (iv) Credit and delinquency management; (v) Institutional management and governance; (vi) Financial and social performance management and MIS; (vii) Product development; and (viii) Compliance management and internal control.

Following the completion of the curriculum in July 2015, a two-step 'training of trainers' exercise was held resulting in a ***certified pool of 11 trainers*** (including four women) ***and six co-trainers*** (including two women). The first batch of 24 MFMCC students (70.8% women) graduated in December 2015, while a second batch of 20 graduates (35.0% women) completed the course in March 2016. These initial ***44 MFMCC graduates*** comprise six FISD staff (including the Deputy Director General). Another five batches are expected to be carried out by the end of 2016. Course participants are generally very happy with the content and quality of the course (*"I have learned useful things that I have been able to apply to my work"*). Initially the course lasted 29 days, but, following feedback from the first batch of participants, it was later reduced to 20 days (divided into ten plus ten days over a two-month period). While the duration of the training in terms of the total number of days is now considered as adequate, a two-week full-time commitment each time is nevertheless believed to be too lengthy for some FSPs (*"We need more time in between to be able to run our institutions"*). Moreover, a GIZ consultant has recently been engaged to further adapt the curricula to local circumstances.

BoL requires all microfinance 'start-ups' to have at least one person with a MFMCC certificate before registering as an institution. It is also an obligation for all existing FSPs to have three managers complete the course within two years. While most consulted stakeholders consider this as an important call for building the capacity of the industry, a couple of more 'seasoned' microfinance practitioners (who already have a lot of experience and have undergone similar training elsewhere) do not believe it necessary for all institutions to certify three managers (*"There is no need for me to do this again; I already know it"*).

MFA, originally the Microfinance Working Group (MFWG),[112] was officially licensed with the Ministry of Home Affairs (MoHA) as a ***temporary non-profit association in October 2013***. This transformation process, primarily assisted by ADA, has been *"long and challenging"*, but MFA is now a fully established institution

[108] This section somewhat overlaps with EQ4.1 in Section 6.4 below.

[109] www.laomfa.org

[110] The grant agreement states that MFA "shall be free to reallocate resources as needed in order to produce the expected results" (p.2). These results or milestones include various stages of the MFMCC process and well as the development of a Code of Conduct in support of the seven CPPs of the Smart Campaign.

[111] While ADA (as well as GIZ and SBFIC) have financed the initial curricula development, the training of trainers, as well as the trainers' fees and participants' accommodation expenses for the second batch of MFMCC training, MAFIPP funds have covered MFA salaries and overhead costs, the translation of the MFMCC curricula, as well as the trainers' fees and participants' accommodation expenses for the first batch.

[112] Founded in 2007 as an informal platform for exchange of experiences, advocacy and donor coordination.

with a staff of seven (including the Executive Director) supported by a five-member Board of Directors as well as by an Advisory Committee and Audit Committee. BoL now strongly encourages all FSPs to become members of MFA. At the time of the in-country visit, the association had a total of ***53 MFI and SCU members*** (accounting for around two-thirds of all licensed microfinance FSPs).[113] An additional 16 members include international organizations, training entities and individual consultants.

All MFA members are required to sign and adhere to the association's ***Code of Conduct***. Developed in 2014, the code specifically outlines the seven client protection principles (CPPs) of the SmartCampaign, which are to be officially endorsed by all members. Furthermore, in 2015, ADB financed the delivery of SmartCampaign training to MFA members.[114] The Code of Conduct also calls for the reporting of performance data and an increasing number of members now self-report their performance data to MFA every twelve (or even every six) months. December 2015 data were provided by a total of 41 FSPs (i.e. three-quarters of the MFI/SCU members of MFA), including the four CARD grantees as well as the additional two FIF grantees.[115] All data, published on the MFA webpage, are categorized and analyzed according to type of institution (deposit taking MFIs, non-deposit taking MFIs and SCUs) as well as benchmarked against the performance of small-scale institutions in neighboring countries (namely Cambodia, Thailand and the Philippines) as well as the region of East Asia and the Pacific as a whole. Furthermore, both the minimum and the proposed (secondary) PBA targets in terms of the percentage of FSPs with assets >LAK 1 billion publicly disclosing their financial data (PI2.3) - either through MFA or their own website or on MiXMarket - had been fulfilled at the end of 2015 (namely 69% - see further Annex 17).[116]

In conclusion, consulted stakeholders at all levels testify to the increased capacity of MFA to provide both capacity building (primarily the MFMCC, but also individualized training and support) and advocacy services.[117] With regard to the latter, MFA has established a good rapport with BoL, with which it meets on a quarterly basis (*"It is not only BoL asking, but also BoL listening to MFA; more than before"*). For example, during the drafting of the Implementation Guidelines (see EQ3.3 below), MFA has been part of the negotiations for the application of flat interest rates for credit of up to LAK 5 million (BoL initially suggested a LAK 2 million limit). With assistance from GIZ, which is supporting FISD in the drafting of a decree on client protection, it also successfully managed to negotiate the removal of a cap on interest rates. Some stakeholders said that a few FSPs believe MFA to depend too much on or act *"as the arm"* of BoL,[118] but, on the whole, the ***microfinance sector recognizes MFA as the industry representative*** and 'go-to' association (PI2.6) (*"It is a forum through which we can express ourselves and learn from each other"*; *"It represents common issues and raises them to BoL"*). This recognition is demonstrated by the fact that 73% of FSPs with assets >LAK 1 billion contributed financially (PI2.4) to MFA in 2015 as well as by an improving cost recovery ratio (up from 15% in 2013 to 41% in 2015); thereby fulfilling respectively the minimum target and the proposed target for the remaining two PBA indicators (see further Annex 17). Furthermore, all interviewed FSPs, also the SCUs, say that they do feel adequately represented by MFA. Nevertheless, some stakeholders called for the association to strengthen its support to smaller and weaker institutions (*"It should help those*

[113] Commercial banks with microfinance services, such as ACLEDA, are members of the Bankers' Association (BA), not MFA.

[114] The Executive Director of MFA also trained as a SmartCampaign assessor in 2014.

[115] These six FSPs as well as ACLEDA also report to MiXMarket (as required by the individual TA or grant agreements under MAFIPP).

[116] ADA has supported the registration of data and the automatic generation of factsheets.

[117] One global level stakeholder was, however, more lukewarm in judging MFA's overall capacity (*"Compared to before they are doing OK, but their power and assistance is still limited given the weakness of institution; it is still difficult for MFA to play a substantial role"*).

[118] On the other hand, one stakeholder said that it is exactly being so close to BoL that *"has allowed MFA to bring the sector forward in the Lao PDR context"*.

really in need; now it does not really focus on those in trouble") as well as to improve the communication of the actual benefits of membership.

Also at the meso level, the ***Banking Institute*** (BI), a training institution under the auspices of the BoL, has developed a three-year, full-time ***Higher Diploma in Microfinance*** towards qualifying much sought after entry level staff for the microfinance sector (the current lack of qualified human resources was in fact mentioned by all consulted FSPs).[119] The syllabus, covering a total of 40 subjects, was developed based on a needs assessment of prospective students and with the approval of the Ministry of Education and Sports (MoES), but did not involve consultations with the microfinance industry itself. The launch of the diploma was initially delayed, but eventually started in September 2014 and with a yearly intake of 100 students (top 100 selected by way of an entry test from around 300 applicants each year) it currently has 190 students[120] (60-70% women) supported by a pool of six microfinance dedicated teachers (microfinance practitioners are also invited as lecturers for certain subjects). During the third and final year, the diploma also foresees student internships with FSPs (currently under negotiation with a number of institutions). The original intention was to set up a Bachelor's Degree in Microfinance, but when the diploma was launched in 2014, the MoES did not yet consider it to qualify as a full-fledged bachelor's degree. The MoES is, however, currently (re)assessing the possibility of upgrading the diploma to a bachelor's degree. While some consulted stakeholders support a separate microfinance diploma/degree *("Good for the industry"; "Important for our country"*), others question the actual necessity of keeping it separate from the existing degree in banking (*"Microfinance modules should rather have been integrated into the banking curricula in order to reach out to all finance graduates"*). In December 2015, MAFIPP eventually signed a one-year TA agreement[121] with BI for the: (i) procurement of IT equipment for a microfinance 'simulation laboratory';[122] (ii) printing of textbooks and handouts;[123] (iii) development of six subjects[124] and subsequent training of teachers; and (iv) development of practical microfinance software user training. BI managers have also participated in MAFIPP supported accounting training as well as exposure visits to the Philippines and Sri Lanka to study similar diplomas or training centers. Finally, BI is also planning to collaborate with other stakeholders in order to revise the curriculum and meet international standards for some subjects/courses.

Apart from the MAFIPP support to MFA and BI, the MicroLead funded CARD assistance also included training and short term TA to the ***Microfinance Center (MFC)*** for the strengthening of its capacity to deliver training to the microfinance sector.[125] Training of MFC trainers/consultants has included more or less the same themes as the training for the four CARD grantees (see EQ3.1 above), while TA support has been provided for the development of training courses and curricula (based also on a 2012 satisfaction survey of past MFC training participants). As summarized in Annex 18, MFC has usually met both the minimum and the maximum non-financial targets as defined by the PBA. During the five-year period of CARD support, MFC has developed a total of 21 training modules. MFC now offers three management training series

[119] It is also important for staff to have adequate expectations with regard to the microfinance sector (*"It is not the same as banking"*).

[120] Around 10 students have left to program having been awarded internships to study in Vietnam.

[121] A total of USD 140,000 were originally 'earmarked' to support BI over the course of the program.

[122] With a maximum combined value of USD 3,563.

[123] Up to a maximum of USD 15,000.

[124] Namely: (i) Risk management; (ii) Auditing; (iii) Basic knowledge of financial institutions; (iv) MIS in microfinance; (v) Basic principles in microfinance; and (vi) Financial products management.

[125] MFC is a service company engaged not only in the provision of microfinance related training (the part supported by CARD), but also in consulting services and IT (namely MBWin) training – see further http://mfclao.com). Together with SBFIC (which has supported MFC for years), CARD has sought to create and invest in the training services as a separate entity, but the idea was later abandoned because of unclear regulations concerning foreign equity investments. Instead, MFC is seeking to register as a local training institutions (consultations with the Ministry of Education are still ongoing).

(composed of various modules) respectively dedicated to MFIs, SCUs and village funds as well as provides a 'Ready to Go' course for loan officers and a refresher course for branch managers.[126] Especially with regard to the latter two training courses (targeting staff, rather than management), MFC's services serve as an important complement to the management focused training offered by MFA. MFC consultants also frequently collaborate with MFA for the provision of training to FSPs. On average, MFC has held around 23 training events and served around 52 institutions per year. Training delivery, in terms of both number of trainings conducted and institutions served, did however slowdown in 2015.

Finally, the MAFIPP program has also sought to strengthen the capacity of ***external audit/accounting firms*** (or individual auditors/accountants) to serve the microfinance sector. Two sets of two-week training sessions on microfinance targeted accounting and auditing were held in 2012 and 2013, with a total of 36 participants including both local external auditors/accountants and FISD staff.[127] One of the eight companies who participated in the first training session was subsequently selected (following a local competitive bidding process) as the external auditor for the four CARD grantees over the 2012-2015 period and is, as of 2015, currently the only certified microfinance audit company in the country (other companies have yet to submit their applications to receive a license). [128]

Output delivery (macro Level) [EQ3.3][129]

As part of MAFIPP's market development approach (coupled with the 'ecosystem' approach to DFS development of MM4P), strengthening the capacity and practices of FISD/BoL, the implementing agency, has been an important focus of the program. To this end, the MAFIPP program has for example supported the participation of FISD/BoL staff, and in some cases also line ministries - namely the MoF and the Ministry of Post and Telecommunications (MPT) – in numerous training activities as well as other capacity building or sensitization events. More specifically:

- ***Training workshops*** on different subjects, including microfinance accounting and financial management, business plan analysis, etc.;[130]
- ***Exposure visits*** (or study tours) primarily related to various DFS themes (Bangladesh 2011, Cambodia 2013, Philippines 2013, Tanzania 2014 and Uganda 2016), but also leasing (Thailand 2012 and 2013), microfinance training/certificate courses (Germany 2012), school banking (Thailand 2015), etc.; and
- ***Global forums and conferences***, including the annual conferences of ACCU, Global Forum on Financial inclusion for development (Switzerland 2013), Pacific Microfinance Week (Fiji 2013), Leadership Forum on Pathway to digital financial inclusion (Kenya 2013), etc.

In parallel with the events for which the MAFIPP program has supported FISD/BoL attendance, FISD/BoL has also self-financed the participation in a number of other international initiatives, including two training workshops on client protection (in Malaysia and Vietnam) and the Global Policy Forum of the ***Alliance for***

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[126] A 'ladderized' training course for branch managers in preparation of their potential promotion to higher level positions is also under preparation.

[127] While the first of these trainings was carried out by a contracted consultant, subsequent training has been conducted by FISD staff.

[128] The company also serves as the external auditor for another two MFIs, namely Sasomsub (one of the FIF grantees) and Champalao. Furthermore, when consulting the external audits for the four CARD grantees, the Consultant identified the following improvements as of 2013: (i) PAR data includes portfolio aging breakdowns (e.g. number of loans and amount of portfolio 0 days late, 31-90 days, 91-180, and >180 days late); (ii) Sector portfolio is also more specific in recent years (e.g. number/amount of loans in agriculture, commercial, household, or other sector categories); and (iii) There a fewer errors in recent statements (while not material, some minor errors were discovered in statements prior to 2013).

[129] This section somewhat overlaps with EQ4.1 in Section 6.4 (and partly also with EQ5.2 in Section 6.5) below.

[130] English language training has also been provided towards supporting interaction with stakeholders beyond Lao PDR.

Financial Inclusion (AFI),[131] a global knowledge sharing network (in Mozambique in 2015). BoL has also committed to apply for AFI membership. Furthermore, as mentioned under EQ3.2 above, a total of six FISD staff (including the Deputy Director General) have completed MFA's MFMCC.

In order to further support the sharing of best practices, the program has covered the translation and dissemination of relevant international guidelines and handbooks published by global stakeholders, including ACCU, the Consultative Group to Assist the Poor (CGAP), etc. Finally, MAFIPP is also anticipated to support the collection of reliable sector-wide monitoring data on financial (and social) performance through FISD's FINA system, but these efforts have been put on hold following the continuous postponement of an early warning system workshop to be hosted with Thailand's Ministry of Agriculture and Cooperatives (now expected to take place sometime during 2016). Consequently, albeit sector data availability (also through MFA) and reliability have been improving, self-reporting to date is neither sufficient or sufficiently reliable.

In terms of industry dialogue, BoL holds quarterly meetings with MFA and the relationship is judged to be beneficial by both parties (see further EQ3.2 above). BoL also hosts an annual ***Microfinance Forum*** in order to disseminate information and provide clarifications on the existing regulatory framework as well as gather feedback from industry stakeholders. The forums are usually well attended (between 130 and 230 participants) and appreciated as useful by participants as information sharing events. However, one micro level stakeholder pointed out that when institutions would like bring up a particular problem or issue, they usually goes through MFA (*"They do not yet feel comfortable in expressing themselves individually at the forum"*). As of 2015, the forum is divided into three separate events; one for deposit taking MFIs, one for non-deposit taking MFIs, and one for SCUs. Some consulted stakeholders consider it to be more useful to hold at least one common plenary session followed by separate sessions for the three types of institutions (*"It is not useful to differentiate completely; MFIs and SCUs can support each other and create cohesion"*). With specific regard to DFS, a ***Digital Finance Working Group*** (DFWG) was set up in December 2014 towards aligning stakeholders at all levels and from various sectors and promoting the development of DFS in Lao PDR. Meetings are held on a quarterly basis and, at the time writing, the group had convened six times (commonly with some 40+ delegates and participants). Finally, FISD also offers training sessions for FSPs (notably on FINA reporting and auditing) as well as hosts a number of other knowledge sharing and capacity building events for the microfinance (and DFS) sector as a whole.[132]

With regard to actual macro level 'deliverables', MAFIPP has provided substantial support to FISD for the ***creation, from scratch, of a regulatory framework for the provision of DFS***. Initial DFS work commenced in July 2012 with a MM4P scoping mission, followed by two workshops (supported by GIZ) to present findings and gather feedback from stakeholders. The scoping mission was subsequently followed by a country strategy report (a final version of which was submitted in January 2014) and a more comprehensive market research on MM and BB in 2014 towards providing further insights on the needs for DFS and the management of delivery channels. Following the finalization of the ***DFS Pilot Application Guidelines***, a first call for pilot applications was launched in December 2014. Apart from assisting potential DFS providers in the development of business cases for the provision of DFS (see EQ3.1 above), the program also trained and accompanied FISD staff in assessing the applications and a total of ***three pilot licenses*** (BCEL, ETL, and Unitel) were issued during the course of 2015. Finally, MAFIPP has supported the drafting of a ***Regulation on Mobile Financial Services*** and a draft version was presented to the DFWG in March 2015. Working on this regulation has provided an opportunity for the BoL to *"learn by doing"* and a final version is to

[131] http://www.afi-global.org

[132] Including: Mobile Financial Services Conference in May 2013 (>100 participants); 2015 DFWG training workshop on "Developing and managing efficient agent networks in Lao PDR".

expected only after an additional DFS pilot has been completed (which could be considered sensible from a precautionary perspective).

During the course of the program, albeit without specific support from MAFIPP, FISD has also worked on the October ***2012 (draft) Decree on MFIs*** (issued by the Prime Minister's Office) as well as issued accompanying ***Implementation Guidelines***. The guidelines, published in April 2016, will eventually replace the three existing regulations (based on an earlier decree) from 2008 for respectively non-deposit taking MFIs, deposit taking MFIs and SCUs, but since the 2012 decree is yet in a draft format, there is still some uncertainty among FSPs as to which indications they should actually follow (i.e. the 2008 regulations or the 2012 draft decree) – see further Section 6.4 (EQ4.1) below. With the support from IFC, BoL also presented a ***draft leasing decree*** in 2014, while GIZ is currently assisting FISD in the drafting of a ***decree on client protection*** (draft apparently finalized and awaiting government approval) - see Box 2 in Section 3.1 above. As mentioned in Section 6.1 (EQ1.1) and Section 6.2 (EQ2.2) above, the initial 'division of labor' between GIZ's AFP program and MAFIPP foresaw support on general microfinance regulatory issues to be provided by GIZ, not MAFIPP. Consequently, apart from the concrete and substantial assistance in the creation of a regulatory framework for the provision of DFS and indirect influence through facilitating the exposure to international best practices and the exchange of experiences, the MAFIPP program as such has not provided other (direct) regulatory support to FISD/BoL.

A major achievement of the program and important deliverable at the macro level has been the ***Making Access Possible (MAP)***, an evidence-based diagnostic and programmatic framework.[133] The standard MAP process includes the following three phases or stages:

- Research and analysis of (i) the country context, (ii) the regulatory framework, (iii) the supply side, and (iv) the demand side (i.e. the FinScope consumer survey[134]);
- Elaboration of a complete country diagnostic report (including also a synthesis report and databook); and
- Drafting of a 'roadmap', a strategic policy document with concrete recommendations for actions towards reaching defined financial inclusion targets.

Consulted stakeholders recognize the MAP exercise in Lao PDR as a ***comprehensive, useful and participatory process.*** It has engaged extensively with stakeholders at all levels, with overall coordination and leadership placed with the MAP Steering Committee (SC). The SC, chaired by FISD/BoL, was set up in September 2014 and includes representatives from the Ministry of Agriculture and Forestry (MAF), MoF, MPI, and NCRDPE.[135] The MAP process itself kicked-off in June 2013 with an introductory public workshop (46 participants from BoL, relevant ministries, and government offices, as well as FSPs), but was then delayed since an agreement had to be reached with the Lao Statistics Bureau (LSB), the agency in charge of the implementation of national surveys. It also took some time to adapt the FinScope questionnaire to local circumstances and train LSB enumerators (*"with limited knowledge of financial concepts"*). The FinScope study was eventually carried out by LSB between November 2014 and January 2015.[136] Once underway, the

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133 MAP is a UNCDF tool/initiative supporting the implementation of a diagnostic and programmatic framework - developed in partnership with FinMark Trust and the Centre for Financial Regulation and Inclusion (CENFRI) - towards expanding access to financial services on part of individuals and MSMEs in a targeted 22 countries (currently active in 15 countries). See further http://www.uncdf.org/en/map

134 The FinScope survey, developed by FinMark Trust, is a representative study of the usage of and access to financial services implemented (or underway) in over 20 countries. The 2014 FinScope in Lao PDR included 2,040 respondents/households in 255 villages across the country.

135 The MPT is part of the MAP 'task force'.

136 MoF and NCRDPE also participated in the data collection and fieldwork for the FinScope survey alongside LSB enumerators.

research process went relatively smooth (even if the collection of supply side financial data proved difficult and time consuming) and produced *"rigorous and robust enough results"*. The outcomes of the FinScope study were presented at a public workshop in July 2015, while another public presentation (150 participants) was held in September 2015 to share the main findings from the complete MAP diagnostic. The full country diagnostic report has yet to be released at the time of writing, but the diagnostic synthesis note was presented to the MAP SC in December 2015 (with formal validation still underway). A high level roundtable meeting was also held in October 2015 to present the databook (subsequently delivered also to all members of the National Assembly in December 2015). Finally, following another round of consultations with relevant ministries and government agencies, a draft version of the MAP roadmap (see Box 5 below) was presented to the SC in February 2016. At the time of the in-country visit, the Vice Governor of BoL defended the roadmap internally (with provincial engagements to follow mid 2016).

Box 5. Lao PDR Financial Inclusion Roadmap 2016-2020 (draft)

- Eight target market segments (including estimated size, characteristics and specific needs): (i) Low-income farmers; (ii) High-income farmers; (iii) Low-income non-farm self-employed; (iv) High-income non-farm self-employed; (v) Informal employees; (vi) Low-income formal employees; (vii) High-income formal employees; and (viii) Dependents.
- Overarching policy goal for financial inclusion: *"Improve household welfare, increase economic efficiency and support growth by reducing the percentage of adults who are excluded from 25% to 15%, and increasing those with access to more than one formal financial product from 28% to 42% by 2020 by: (i) extending financial inclusion to lower income households and target groups that are currently less well served; (ii) enhancing financial sector infrastructure, encouraging competition, modernising regulation and reducing risks; (iii) facilitating well targeted credit to farmers and productive enterprises and for investment in assets*".
- Five priority areas (along with specific interventions and timeframe for action) towards reaching the policy goal: (ii) Improving the workings of the credit market; (ii) Consumer protection and empowerment; (iii) Strengthening village funds; (iv) Payment eco-system development; and (v) Extending the outreach of banks and other FSPs.
- Overview of complementarities between roadmap and the 8th NSEDP (also covering the 2016-2020 period) in order to support the possible integration of a financial inclusion vision into the NSEDP.

The MAP exercise, which can be entirely attributed to MAFIPP (thanks to DFAT support), represents an *"**unprecedented policy development effort**"* on part of BoL (otherwise concerned with ensuring macroeconomic stability). A strong sense of participation and ownership of the MAP process on part of FISD/BoL has according to most stakeholders *"made it more aware and able to develop strategy"*. The commitment of FISD's Director General was particularly emphasized by a number of interviewed stakeholders (*"He has gone out of his way"* to ensure buy-in from BoL has a whole).

Not only with regard to MAP, but also in general, most consulted stakeholders testify to an increase in awareness, commitment and capacity on part of FISD/BoL during the years of MAFIPP support. (*"Counter engagement is now embedded within the BoL, and it has taken the MAFIPP team a lot of effort to promote this"*; *"BoL is more confident in managing the processes now"*).[137] Even if outreach has yet to pick up, the DFS efforts at the macro level can also be considered a key achievement since the program has effectively

[137] The commitment can, however, also go a bit too far. If something is 'missing' in the market, BoL commonly wishes to step in, even if it does not necessarily have the capacity to provide for a seeming market failure. For example, because of the high cost of MBWin, the only MIS currently offered/used in the country, BoL has announced that it will provide institutions with its own software.

assisted the country in creating an initial framework for the development of DFS and supported an increase in the level awareness of both opportunities and challenges with DFS. Nevertheless, consulted stakeholders also point to some institutional weaknesses. First, although most stakeholders register improvements in the supervision and support capacity of FISD (*"They are more professional and knowledgeable now"*), a couple of micro level stakeholders still believe it to be relatively limited *("Not yet sufficient"*; *"Some staff just come to inspect for the annual audit without providing recommendations; they don't go one step further to improve our performance"*). Furthermore, with the number of FSPs increasing (82 licensed MFIs and SCUs in December 2015), the capacity of FISD is naturally put further to the test. Second, as pointed out by the MAP diagnostic, with BoL seemingly adopting a rather flexible approach to non-compliance on part of some FSPs in an effort to accommodate the needs of the sector within the current, but changing, regulatory framework (see further Section 6.4, EQ4.1, below), its authority might not always be recognized.

Outcome achievement [EQ3.4]

In addressing the achievement of outcome - i.e. progress towards reaching the targeted 408,000 (or minimum 300,000) of 'additional active users' by end 2017 - a number of specifications need to be made. First, with regard '<u>users</u>', as already mentioned in Section 6.2 (EQ2.2) above, neither CARD/MicroLead nor the MAFIPP program itself has tracked the number of unique clients; i.e. the number of individuals having either (or both) a savings or (and) a credit account. In order to arrive at the number of clients/users, the number of borrowers has been added onto the number of savers. This does, however, account for a double counting of some clients since some savers also have credit and some borrowers also have savings. In fact, all borrowers with EMI, XMI and SCU HP also have savings. The number of clients for these three institutions is hence equal to the number of depositors. Since some borrowers with SCU LP do not have savings accounts, SCU LP has identified, upon the request of the Consultant, the number of unique clients for each year during the 2010-2015 period. Finally, ACLEDA estimates that around 30% of its borrowers also have a savings account. The number of clients for ACLEDA was hence recalculated by adding 70% of the borrowers onto the number of depositors.

Second, with specific regard to ACLEDA, the number of additional savers/borrowers recorded by the MAFIPP program include the number of additional microsavers/microborrowers (i.e. those with a savings/loan balance below USD 1,500) for the whole institution. However, since ACLEDA has only received MicroLead funding and no TA support from the MAFIPP program, it is more adequate to count only the additional clients reached through the establishment of the five MicroLead funded service units. In this regard, the Consultant considers not only the microsavers/microborrowers, but all savers/borrowers with the five newly established service units since MicroLead funding has effectively supported the establishment from scratch (i.e. all clients with these units are indeed additional/new clients even if some of them have savings/loan balances beyond USD 1,500).[138] Furthermore, although the MicroLead grant agreement ended in December 2014 and ACLEDA claims that it would have established the five new service units *"with a couple of years delay"* even without the funding received from MicroLead (which *"accelerated the process"*), the growth in the number of clients in 2015 is also included since the units (established in 2012 and 2013) are still there and continue to serve additional clients (i.e. it is reasonable to consider three to four years of 'contribution').

Based on these first two considerations, the actual outreach in terms of 'additional users' have been recalculated by the Consultant as presented in Exhibit 4 overleaf. From a baseline of 4,946 clients in 2010,

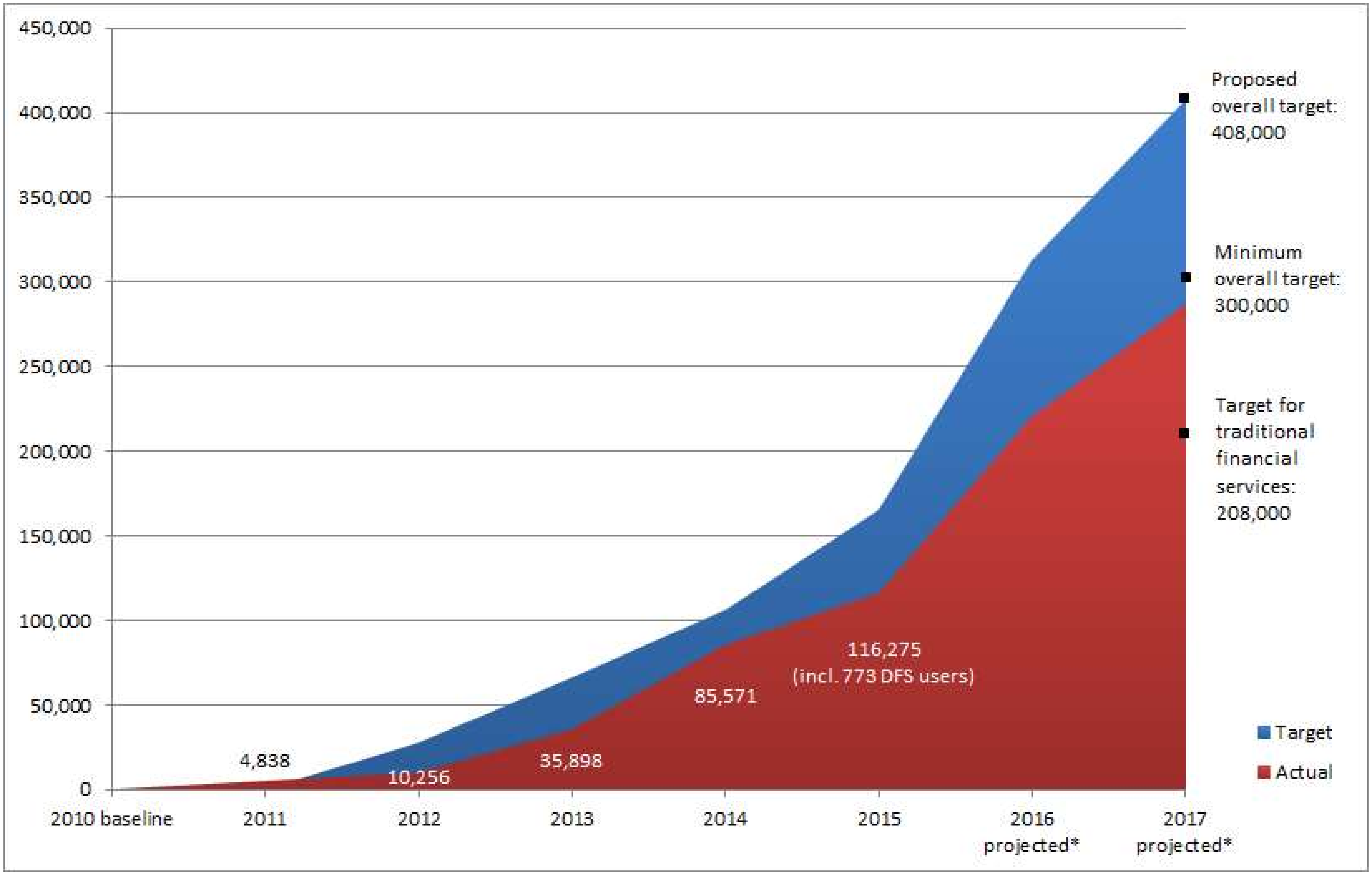
[138] In December 2015, 71.3% of all depositors at the five MicroLead funded service units were microsavers, while only 28.9% of all borrowers were microborrowers.

an additional ***116,275 users (including 773 DFS users)***[139] had been reached by December 2015. This falls short of the 2015 target by 29.6% and represents a 28.5% achievement of the proposed target of 408,000 (or 38.7% of the minimum 300,000 target) for the end of the program (i.e. December 2017). However, since all but very few of the additional users by end 2015 are clients accessing traditional financial services, the 2015 outreach is perhaps more appropriately measured against the targeted 2017 outreach for traditional financial services (namely 208,00 clients). The number of additional clients reached (less the 773 DFS users) in December 2015 hence accounts for a ***55.5% attainment of the end-of-program target for traditional financial services***.[140]

[139] Namely users of BCEL's BCOME service (and the launch of this service can be considered a *"100% MAFIPP contribution"*).

[140] The outreach data tracked by MAFIPP refer to the number of clients who can reasonably be attributed to program support (and up until December 2015 they include the clients of the five MicroLead FSPs plus 773 DFS users). With regard to the microfinance sector as a whole, in December 2015, 65 (out of 82 licensed) MFIs and SCUs reporting to FISD's FINA database registered a total of 193,887 depositors (and 46,179 borrowers). Assuming that the great majority of clients are savers and considering the 2011 stock-take estimate (see Section 6.1, EQ1.2, above) of 68,000 clients (including 19,000 borrowers), the 'sector as a whole' (including also the four CARD grantees, but excluding the 17 MFIs and SCUs not reporting to FISD) had grown by some 125,000 savers and 27,000 borrowers by the end of 2015. Put in these terms, the four CARD grantees have actually contributed with 86.6% of the additional savers and 49.6% of the additional borrowers for the 'sector as a whole' (excluding the 17 FSPs not reporting to FINA in 2015).

Exhibit 4. Number of additional users and target comparison: 2010-2015 (end year)



* Projections for additional clients in 2016 and 2017 are based on estimations from 2015 performance with regard to traditional financial services. Should the provision of DFS take off, the actual outreach curve could become steeper.

It should also be noted that the Consultant's calculations of additional clients do not factor in the impacts of new clients joining or clients dropping out during each period either because of the lack of data or because of the unreliability of the data provided. Only one FSPs (namely EMI) provided trustworthy data in this regard,[141] but for purposes of uniformity, new clients and drop-out clients have not been taken into account in the calculations for any of the FSPs. Furthermore, the outreach targets refer to the number of 'additional active users', but again, with only EMI providing reliable data on dormant accounts, it has not been possible to ascertain the actual number of 'active' savers out of all savers.[142] Considerations for dormant accounts, and hence the inclusion of only active savers, would in the case of EMI in fact reduce actual outreach quite substantially – in December 2015, out of a total of 79,661 recorded savings accounts,[143] the last transaction for as many as 27.9% was older than December 2014.

On the whole, the program is ***struggling to reach the (too) ambitious outreach targets***. Most consulted stakeholders at the global and macro levels believe the attainment of the overall outreach target of 408,000 by end 2017 to be either *"unrealistic"* or *"impossible"*. An achievement of the 208,000 target for traditional financial services could, however, be feasible should the performance in the coming years be in line with that of 2015 (see predictions in Exhibit 4 above). With regard to DFS, even if BCEL's achievements of late look promising (see Box 4, EQ3.1, above),[144] following the pulling out of ETL and given the lack of large scale investment capacity, the situation looks rather challenging (*"The outcome target of 200,000 is not going to happen by 2017; not with the money MAFIPP has at its disposal"*). Nevertheless, with some time and patience, the prospects for growth of DFS in Lao PDR are seemingly there; as evidenced also by the 2014 FinScope study.[145]

Finally, the intended final beneficiaries of the MAFIPP program are 'low-income' clients (or indeed 'poor' clients given the name of the program), but actual outreach to this group of beneficiaries is hard to ascertain. Since the costs (and burden on the usually weak MISs) of tracking the poverty level of clients are currently too high for the individual FSPs, the MAFIPP program relies on 'proxy' indicators; namely the average savings and the average loan balance. The 2010-2015 trends for these two balances, as well as their percentage of GNI per capita, are presented for the four CARD grantees in Annex 19.[146] For the four FSPs as a group, the weighted average outstanding savings balance, both in absolute and relative terms, has decreased following a peak in 2012 (down from USD 114.8 and 11.5% of GNI per capita in 2010 to USD 91.3 and 4.9% of GNI per capita in 2015). However, this declining trend is primarily determined by EMI since the average outstanding savings size for both XMI and SCU HP (and to smaller extent also SCU LP) has

[141] EMI provided the Consultant with complete extracts of all savings and credit accounts (with information on the client ID, account number and balance as well as the opening date and the last transaction date) between 2012 and 2015.

[142] The 'active' savers referred to in the CARD performance tracking files are defined as all clients with an open savings accounts and who have not withdrawn their savings (i.e. those who have some balance). Dormant accounts are hence not accounted for and the 'active' savers are consequently only 'savers'.

[143] 408 of these accounts are second savings accounts (i.e. some clients have more than one savings account).

[144] Even so, the targeted number of users in year 3 (i.e. 2017) for BCEL is set at 31,000 (see Box 4, EQ3.1, above), which is still far off from the overall 200,000 for DFS should other potential providers not enter the market.

[145] 77% of adults use mobile phones (79% men and 74% women); 25% of adults have heard of mobile money and one in three would like to use their mobile phones to receive and send cash, withdraw money, check their balance; pay utility bills, etc.; and almost all respondents have access to a grocery store (a potential agent) in 30 minutes or less. Nevertheless, a couple of micro level stakeholders, even if possibly interested in providing MM or BB services, express concerns over the technology (non Lao compatible interface on mobile phones) and/or the low literacy level of clients.

[146] At the five ACLEDA service units established with MicroLead funding, both the savings and the credit balance is higher than for clients with the four CARD grantees (even if only microsavers and microborrowers are considered). Nevertheless, also for these five ACLEDA units, the average outstanding savings balance for microsavers, in absolute and relative terms, has decreased (from USD 223.2 and 17.2% of GNI per capita in 2012 to USD 169.3 and 9.1% of GNI per capita in 2015). The average outstanding loan size for microborrowers, even if higher than for clients of the CARD grantees, has also decreased (from USD 753.5 and 56.6% of GNI per capita in 2012 to USD 699.2 and 37.8% of GNI per capita in 2015).

actually increased. Albeit the ***savings balance still remains at a relatively low level for all grantees***, the one of XMI is somewhat below that of the others (which could perhaps be explained by a complete adoption of the center methodology approach and by a greater rural outreach than the other grantees – see below). With regard to credit, ***all four CARD grantees register an increase in both the absolute and the relative average outstanding loan size*** (with the weighted average for all four FSPs increasing from USD 203.9 and 20.4% of GNI per capita in 2010 to USD 489.9 and 26.5% of GNI per capita in 2015). In general, EMI and SCU LP record higher credit balances than XMI and SCU HP. Furthermore, as further illustrated in Section 6.4 (EQ4.2, Table 10) below, both the savings and the credit balance of the four CARD grantees is on average significantly lower than for the rest of the microfinance sector. Finally, for EMI, it is also possible to make an internal comparison between clients reached through the center methodology approach and 'normal' clients (i.e. those with access only at the branch or service unit). Based on branch/unit data as of end February 2016, the numbers of savers and borrowers are more or less the same for the two types of clients, but the ***average outstanding savings and balance balances are both significantly lower for center methodology clients***.[147]

Nevertheless, especially with regard to savings, the average balance is not always a good proxy indicator of poverty. In a country with a strong savings culture, small savings amounts do not necessarily mean that the clients are poor or vice versa (some people also save in the form of non-monetary savings such as livestock, etc.). Indeed, poorer people, who often save what they can as a form of social protection, might have savings balances that are considered as 'too high' for being poor.

Alternatively, one can seek to 'verify' outreach to poorer clients through the areas in which services are provided. For example, rural areas tend to be poorer than urban (or peri-urban) areas. As summarized in Annex 20, however, even if rural outreach of the four CARD grantees, as defined and self-reported by the FSPs themselves, varies (and data is not consistent), the ***percentage of rural clients has generally decreased*** between 2010 and 2015.[148] Strongest outreach into rural areas is reported by XMI (averaging 75.6% of all clients between 2013 and 2015),[149] while only 8.0% of SCU HP's clients lived in rural areas at the end of 2015. Furthermore, as outlined in the 2004 NGPES and subsequent NSEDPs, a total of 72 districts in the country have been identified as poor and a core group of 47 districts have been selected for priority investments ('priority poor' districts). Out of the 27 branches and service units of the five MicroLead FSPs (see Annex 12), ***only four service units are located in priority poor districts*** (and none in the remaining 25 poor districts); namely ACLEDA's Meuangphine service unit and XMI's Beng, Houn and Namo service units.[150] Presence in a priority poor (or poor) district is, however, not necessarily an indication of actual outreach to poor or low-income households. Moreover, when considering absolute numbers, most of the poor in Lao PDR do in fact not live priority poor (or poor) districts.[151] Nevertheless, focusing on 'pockets' of

[147] Average outstanding savings balance: LAK 437,164 (≈USD 54) center methodology clients and LAK 2.5 million (≈USD 310) branch/unit clients. Average outstanding credit balance: LAK 2.3 million (≈USD 285) center methodology clients and LAK 6.3 million (≈USD 780) branch/unit clients. The SmartKids and other accounts with the HQ / main branch were excluded from the calculations.

[148] Conversely, rural outreach (even if seemingly defined simply as outreach beyond Vientiane and not as outreach in rural districts as classified by LSB) on part of ACLEDA (as a whole institution; not just the five MicroLead funded service units, which are all located in rural areas) has increased quite substantially over the past years; in December 2015, 65.3% of all its clients lived in rural areas.

[149] And all clients in rural areas are female.

[150] FIF funding has supported onlending to two of these four service units; namely the newly established Beng and Namo units. The MAFIPP program has also tried to promote formal financial inclusion in the four priority districts of LARLP (see Box 1 in Section 2 above), but FSPs have not been considered sustainable enough (or have not been willing) to extend outreach in these areas. Beyond MAFIPP, challenges in reaching out to more remote areas are also demonstrated by the failed expansion into other districts of the Champasak province on part of SCU Huasae Chaleun.

[151] Only one-third of the poor population in Lao PDR live in priority poor districts and half live in poor districts (Lao DECIDE info, Policy Brief 1, March 2013: http://www.decide.la/en/downloads/index/Policy-Brief_01.pdf). Similarly, even if the Saravane province has the highest poverty rate, the Savannakhet province is home to most poor people (World Bank Group, "Lao PDR

poverty (such as priority poor districts) often make sense in general policy terms in order to avoid the creation of ‘excluded’ communities/areas within a country, combat urbanization, etc.

On a very final note, however, MicroLead FSPs seem to have ***reached out to previously unserved or underserved areas*** with regard to the provision of formal financial services. Beyond Vientiane capital (where formal access is as high as 85%), access to formal financial services generally lies at around 42-44%.[152] In fact, as highlighted in Section 6.4 (EQ4.3) below, three-quarters of the consulted clients were previously ‘unbanked’, namely without access to formal financial services, before gaining access through the five partner FSPs.

Systematic Country Diagnostic: Public engagement”, 2016: https://consultations.worldbank.org/Data/hub/files/consultation-template/systematic-country-diagnostic-and-country-partnership-framework-lao-pdropenconsultationtemplate/materials/scd_ppt_english_0.pdf).

[152] FinScope, 2014.

6.4 Possible Impact[153]

EQ4. To what extent is the program on track towards supporting possible (long-term) changes with regard to the broader financial inclusion environment (macro, meso and market level) and the performance of supported FSPs (micro level) as well as for final beneficiaries (client level)?

Macro level: Supportive DFS regulatory environment created by the MAFIPP program. Only indirect influence on more general regulatory microfinance framework, which is, although improving, on the whole currently not considered as favorable for growth for the typically small FSPs (and draft regulations cause uncertainty, even if BoL seems to apply a rather flexible approach towards accommodating the needs of the sector). Final outcomes of MAP process yet to be proven; ensuring higher level support represents the main challenge.

Meso level: Possibly imminent recognition of MFA as permanent association would strengthen its role as an acknowledged representative body for the microfinance industry.

Market level: Limited demonstration effects with little knowledge management and dissemination efforts beyond DFS to date.

Micro level: Supported FSPs (four CARD grantees) gaining microfinance market share accounting for 61% of all savers, 43% of all borrowers and 30% of savings and credit portfolio in 2015. CARD grantees perform better than their peers in the non-supported sector with regard to several profitability ratios. Recent deterioration in portfolio quality for the market as a whole, but less significant for the CARD grantees.

Client level: Three-quarters of consulted clients formerly ‘unbanked’. Generally satisfied with provided services, but calling for more flexible repayment schedules and higher loan amounts. All but few claim to manage their money better and save more than before. Three-quarters report on self-perceived improvements thanks to services used (including more or steadier income, easier cash flow management, and greater ability to cover educational expenses).

***Broader financial inclusion environment (macro, meso and market level) [EQ.4.1]*[154]**

With specific regard to DFS, an area on which the MAFIPP program alone has provided substantial and direct regulatory support, ***consulted providers considers the newly created regulatory environment*** (notably the draft Regulation on Mobile Financial Services)[155] ***to be supportive*** (*“The barriers are not high”*) and even refer to other countries as being *“more restrictive”*. The current formulation of the draft regulation serves both banks and non-banks, but will need to confront the following four main challenges in the not too distant future (*“It will work for two years or so before hitting barriers”*): (i) It only addresses domestic currency banks, not banks that deal in other currencies apart from LAK; (ii) Provisions for a trust account are included, but the specificities of such an account (signatories, interest rate, etc.) are not defined; (iii) Procedures for dormant accounts (notification process, appropriation, etc.) are not specified; and (iv) Tax implications of investments are not clear (only to banks for now, which creates an *“unleveled playing field”* for MNOs – *“They don’t know if and for what they need to pay tax”*).

[153] When feasible (i.e. where program support has already reached a certain level of ‘maturity’), the evaluation has sought to conclude on (possible) impact. However, since the program has yet to finish, in some cases (i.e. with regard to certain, more recent, program initiatives or efforts) only tentative assumptions have been made.

[154] This section is somewhat overlapping with EQ3.2 and EQ3.3 in Section 6.3 above.

[155] The banking regulations are also considered conducive with regard to providing DFS. In fact, commercial banks do not even need a real permission to launch an agent banking service since an agent is simply considered another delivery channel (like an automated teller machine).

Beyond DFS, the MAFIPP program has only provided indirect regulatory support through the promotion of exposure to international best practices and the exchange of experiences. As mentioned in Section 6.1 (EQ1.1) and Section 6.2 (EQ2.2) above, the provision of support on more general regulatory matters related to microfinance has primarily been assigned to the AFP program implemented by GIZ. With regard to the more general microfinance regulatory environment, the current framework is accommodating with regard to initial licensing; i.e. it allows also for small scale microfinance initiatives to officially register as non-deposit taking MFIs or SCUs (as evidenced also by the strong increase in the number of licensed institutions over the past few years). However, ***albeit improving, the broader regulatory microfinance framework is generally not considered as conducive for growth*** in terms of geographical expansion and/or upscaling for the typically small FSPs (*"The existing regulation does not allow us to grow"*). In particular:[156]

- A branch extension calls for an additional capitalization requirement of at least LAK 1 billion (≈USD 125,000) – which has been confirmed by the recently published Implementation Guidelines – and according to most stakeholders (at all levels) this represents a barrier for smaller institutions wishing to expand their outreach beyond their HQ / main branch (and even for somewhat larger ones simply wishing to add more branches). In order to circumvent this obstacle, however, FSPs (including commercial banks, such as ACLEDA) set up so called 'service units' instead. Since a service unit is officially recognized by the Implementation Guidelines to "represent the branch in receiving deposits, disbursing loans and collect debts as designated by the branch or head office", it acts as a de facto branch.
- A minimum registered capital requirement of LAK 3 billion (≈USD 375,000) – also endorsed by the Implementation Guidelines - is required for transforming into a deposit taking MFI and this amount is considered as prohibitive for the Lao PDR context by a couple of micro and meso level stakeholders. However, when licensing deposit taking institutions, certain prudential requirements are necessarily called for and, in comparison to neighboring countries, Lao PDR, together with Vietnam (USD 225,000),[157] falls in between the two extremes of Myanmar (USD 25,000)[158] on the lower end and Cambodia (USD 2.5 million according to the 2007 'Prakas' on the licensing of MFIs,[159] but recently raised to USD 30 million by 2018[160]) on the higher end.
- Current restrictions on foreign capital or lending are also mentioned by some stakeholders as an obstacle to growth. The Implementation Guidelines confirm the possibility (subject to BoL written approval) of foreign equity investment of up to 30% of capital and foreign (and domestic) credit not exceeding 30% of gross loan portfolio. For SCUs, no one share (either foreign or domestic) can exceed 10%. Furthermore, a 2009 notice from the Cabinet of the Prime Minister's Office to the MoF states that it "disagrees with foreign investors directly investing" (point 2) and "foreign loan agencies and corporate development agencies being stakeholders" (point 3) in MFIs.[161] Even if this (somewhat dated)

[156] The upper limit, as defined by the 2008 regulations, of LAK 10 million (≈USD 1,250) for microloans – which have to make up at least 80% of an MFI's gross loan portfolio – was also deemed by most consulted micro and meso level stakeholders as too restrictive since it does not allow institutions to grow with their clients *("It's hard to satisfy fiduciary clients who want higher amounts; so if we can't, they leave")*. However, the recently published Implementation Guidelines now set the upper limit at LAK 50 million (≈USD 6,200).

[157] http://www.ifc.org/wps/wcm/connect/62dc148045270d65b271bec66d9c728b/IFC+Responsible+Finance+Diagnostic_FINAL.pdf?MOD=AJPERES

[158] https://www.cgap.org/sites/default/files/Microfinance%20in%20Myanmar%20Sector%20Assessment.pdf

[159] http://www.nbc.org.kh/download_files/legislation/prakas_eng/33.pdf

[160] http://www.phnompenhpost.com/business/nbc-raises-capital-requirements-kingdoms-banks

[161] Unofficial translation of the Cabinet of the Prime Minister's Office Notice No. 634 of 21 October 2009 ("Subject: Preparedness progress report on the macro adjustment loan project of the rural finance development sector from the Asia Development Bank, and proposal to assign a committee to discuss the issue").

notice is of no apparent legal value, it does not serve to encourage foreign investors seeking to invest in the Lao PDR microfinance sector.

- The 2008 regulations do not allow for leasing activities and the leasing decree developed with the support of IFC is still in draft format.[162]
- Most micro and meso level stakeholders also lament the time it takes to receive BoL approval; also with regard to seemingly straightforward matters (*"You need authorization for everything and it takes too much time"*; *"It should be more reasonable"*). For example, even if the 2008 Regulation for Deposit Taking MFIs already allows for the provision of insurances, EMI (see further Section 6.3, EQ3.1, above) has yet to launch a microinsurance product that is now three years in the making.[163]
- As mentioned in Section 6.3 (EQ3.3) above, and at least up until the recent publication of the Implementation Guidelines, the 2012 Decree on MFIs still being in draft format creates uncertainty (*"What can you refer to when things are not clear?"*). The fact that decrees in general (and hence not only the Decree on MFIs) remain drafts for so long does not serve as a stimulus for investments (*"Some FSPs are reluctant to do anything unless it is written"*). Nevertheless, some FSPs move ahead in any case, even if not always in compliance with existing regulations. In this regard, it seems that BoL has adopted a rather flexible approach in an effort to accommodate the needs of the sector within the not yet completely defined regulatory framework and/or within the timeframe of the usually long approval/authorization process (see point above). XMI, one of the four CARD grantees, is a case in point in this regard. As a non-deposit taking MFI, it is allowed to collect both voluntary and compulsory savings, but only up to LAK 200 million (≈USD 25,000) in aggregate and LAK 10 million (≈USD 1,250) per depositor. The application process for transforming into a deposit-taking MFI commenced at the end of 2012, but was initially put on hold because of the non-fulfilment of the LAK 3 billion minimum capital criterion and later stalled because under considerable scrutiny (being the first transformation into a deposit taking MFI in the country). In the meantime, while XMI has had to suspend the provision of fixed term deposits, it continues to collect passbook savings (in fact, savings are compulsory for all clients) well beyond the limit of LAK 200 million as well as to open new service units (expected to be transformed into official branches at the time of receiving the deposit taking license).

With regard to the ***policy framework***, even if the MAP process represents an important achievement on part of FISD (and the program), its full effects have yet to be proven. Few consulted stakeholders doubt the commitment and ownership on part of FISD, but ***the main challenge lies in ensuring higher level policy support for the MAP roadmap (and actual implementation)***. While some stakeholders are confident that the roadmap will be brought forward *("It's not a question of if, but when; it will just take time"*), others express concern over it not moving beyond FISD or BoL (*"The biggest concern is that after a long and 'fancy' process of national involvement, they [FISD] are not able to push for implementation"*; *"Afraid that it will just be a BoL 'thing' for the BoL only"*). Similarly, according to a couple of global level stakeholders, even if FISD is committed to the development of DFS, it does not have *"enough resources or capacity to push things forward"*. DFS as a sector clearly goes beyond the responsibilities of FISD and an interagency Steering Committee (yet to be established)[164] is essential for ensuring line ministries' commitment to and higher level policy support for the process.

[162] Although it did not result in any shortlisted applicants, the FIF#8 call included an attempt on part of the program to pilot leasing in the Special Economic Zones (SEZs).

[163] Final authorization is apparently now depending on the MoF as BoL has already provided its 'no objection'.

[164] A DFS Regulatory Committee was set up in January 2014, but only includes BoL and the MPT.

Furthermore, with specific regard to the ***actual use of MAP data*** beyond the elaboration of the roadmap, separate policy targeted analyses of the FinScope dataset/segments (namely farmers,[165] gender,[166] and remittances) have been presented or are currently underway for or on part of stakeholders at the global level. At the micro level, while most interviewed FSPs had not yet consulted the contents of the FinScope survey at the time of the in-country visit, a couple of them said that they were anticipating to make use of the results once the full diagnostic will be released (*"Would assist us in developing strategy"*).[167]

At the meso level, ***MFA*** (as already presented in Section 6.3, EQ3.2, above) is now an ***acknowledged industry representative body providing both advocacy and capacity building support to the sector***. It also seems to represent a model for other business associations and its (possibly imminent) recognition as a permanent association would mark a *"watershed"* moment for Lao PDR. As a comparison, MFA is also *"more active"* than the Bankers' Association (BA), which with no real infrastructure or permanent staff cannot truly be considered a full-fledged business association. Finally, BI is generally less recognized by the consulted stakeholders at the micro level and, with the first batch of students of the Higher Diploma in Microfinance expected to graduate in 2017, its capacity to provide sufficiently qualified human resources has yet to be proven.

Having not yet run its full course, the MAFIPP program has had ***limited market demonstration effects*** to date. With specific regard to DFS, the work of the DFWG has certainly resulted in great interest as evidenced by the strong participation on part of a wide range of players. However, large upfront investments (with long term returns) as well as uncertainty over taxation provide important barriers for replication. The launch of BCEL's BCOME service has nevertheless encouraged a non-supported FSP (Champalao) to sign an agreement with BCEL to offer BCOME services to its clients (XMI also has plans to act as a BCOME agent in the near future). Apart from DFS, knowledge management and dissemination efforts beyond the CARD grantees have been more limited[168] and, with replication effects yet to materialize, there is still a large gap between the CARD grantees and other microfinance players (see also EQ4.2 below). The promotion on part of CARD of the center methodology approach to service delivery is nevertheless relatively known at the micro level and some other FSPs are starting to take an interest. For example, Sasomsub has received a FIF grant specifically for the implementation of the center methodology in new districts, while Phatthana Oudomxay (the other FIF grantee) is apparently already piloting this approach. On the other hand, other institutions claim not to be interested in adopting the center methodology since they consider it to be *"too difficult"* and/or *"too costly"*. MFA also claims that there is some interest on part of its members in expanding into remote areas, but most also realize that they need to strengthen their general institutional capacity before undertaking new endeavors. Finally, a sign of a potential demonstration effect can possibly be identified in the reporting of data. In addition to an increasing number of FSPs reporting to MFA (see Section 6.3, EQ3.2, above), at the time of writing and apart from the five MicroLead FSPs, an additional 28 FSPs (including Phatthana Oudomxay and Sasomsub, the two FIF grantees) also report to MiXMarket.[169]

[165] "How do farmers save and borrow: Implications for policy making", World Food Day FAO seminar, Vientiane, Lao PDR, October 2015.

[166] UNCDF Shaping Inclusive Finance Transformations (SHIFT) is currently conducting gender disaggregated analyses of all FinScope exercises in the ASEAN region.

[167] The 17th PMC meeting in 2015 also discussed how support from FIF could possibly be "repositioned" in light of the FinScope data and MAP outcomes.

[168] In 2013, the MAFIPP program arranged a lessons learned workshop for SCUs (48 participants) as well as local and regional exposure visits to exchange best practices (12 SCUs from Central and Northern Lao PDR visited a SCU in the Savannakhet province, while another 12 SCUs from Central and Southern Lao PDR visited two SCUs in the north).

[169] For seven of these, however, the last reporting dates back to 2011 or 2012.

FSP performance (micro level) [EQ.4.2]

While the performance of the four CARD grantees (and ACLEDA)[170] is covered in Section 6.3 (EQ3.1) above, this section addresses their performance in relation to other MFIs and SCUs (i.e. non-supported institutions) for which data is available (hereinafter also referred to as the 'sector'). Unless otherwise indicated, the 'sector' includes a total of 45 FSPs (including non-deposit taking MFIs, deposit taking MFIs, and SCUs) reporting complete key performance data to FISD's FINA system in both 2014 and 2015 (excluding the four CARD grantees). A good share of the sector is, however, composed of institutions with very limited savings/credit activities. For example, of the 45 non-supported FSPs providing data in both 2014 and 2015, 18 (40.0%) had fewer than 100 depositors and 19 (42.2%) had fewer than 200 borrowers. Furthermore, all sector data is self-reported and the reliability can hence not be verified.[171] Findings below are therefore to be treated with caution.

As presented in Table 9 below, the ***CARD grantees grew both their loan and their savings portfolio at a faster rate between 2014 and 2015 compared to the rest of the microfinance sector*** in Lao PDR. Per institution, given the limited size of non-supported institutions, the average outstanding loan/savings portfolio of CARD grantees far exceeds that of the rest of the sector. Portfolio of 'acceptable' quality (i.e. <3% as defined by PI3.2) fell rapidly for all FSPs in aggregate from 2014 to 2015, with ***sector portfolio quality deteriorating more significantly than for the CARD grantees***. While this decline represents a considerable worsening of portfolio quality overall, the figures appear more dramatic than the actual impact of the deteriorated loan portfolio since the acceptable portion of the loan portfolio was determined at the institutional level; i.e. an FSP's entire portfolio was categorized as either acceptable or unacceptable from the FSP's PAR 30. For example, EMI represented 62% of the total CARD grantee loan portfolio in 2015 and 51% in 2014. In 2014, since EMI's PAR 30 stood at 2.4%, the entire portfolio has hence been counted as of acceptable quality. In 2015, however, with EMI's institutional PAR 30 worsening to 3.5%, the entire portfolio was deemed as unacceptable. If EMI had maintained a PAR 30 of <3%, the overall acceptable loan portfolio portion for the CARD grantees would have remained at 90% also in 2015. A more precise analysis of the loan portfolio could not be performed due to the lack of portfolio aging data for the non-supported institutions reporting to FINA.

Table 9. Loan/savings portfolio: 2014 and 2015 (end year)

Loan/savings portfolio	2014	2015	Growth/decline (annual)
Average FSP gross outstanding loan portfolio (USD), CARD grantees*	2,097,621	2,436,409	16.2%
*Portfolio (USD) with acceptable portfolio quality (PAR 30 <3%)***	*1,896,999*	*943,552*	*-50.3%*
In percentage terms	*90%*	*39%*	-
Average FSP gross outstanding loan portfolio (USD), Sector	484,852	528,764	9.1%
*Portfolio (USD) with acceptable portfolio quality (PAR 30 <3%)***	*447,896*	*148,682*	*-66.8%*
In percentage terms	*92%*	*28%*	-
Average FSP outstanding savings (USD), CARD grantees*	1,985,038	2,641,055	33.0%
Average FSP outstanding savings (USD), Sector	434,641	547,307	25.9%

* While CARD figures compared to FINA figures differ by 5% for loan portfolio and by 2% for savings, the trends identified in CARD data (15.2% portfolio and 32.5% savings) are similar to the above trends based on FINA data (16.2% and 33.0% respectively).

[170] However, ACLEDA, being a commercial bank (and hence not reporting to FISD) and not having received TA support (but only MicroLead funding), is not included in the comparative performance analysis.

[171] In order to be aligned with the data reporting of the sector, and unless otherwise indicated, self-reported FINA data is also used for the four CARD grantees in the analysis below (for example, for XMI, FINA reported data as required by FISD does apparently not include the village fund clients). Where applicable, however, notes have been added to point to differences between the self-reported data and the CARD-reported data.

** Entire FSP loan portfolio counted if institutional PAR 30 <3% using FINA data. More precise analysis not possible due to the unavailability of portfolio aging data for the non-supported institutions in 2015. PAR 30 reported FINA data matched CARD data for 2015, while the 2014 FINA data on portfolio quality appears significantly understated. For 2014, CARD reported PAR 30 data has consequently been utilized for the four CARD grantees.

Both ***the average credit balance and the average savings balance are significantly smaller for the CARD grantees than for the rest of the sector*** (see Table 10 below). In fact, in 2015, the average CARD credit balance was around half that of the non-supported FSPs, while the average CARD savings balance amounted to just above one-quarter of the savings balance for the sector. Furthermore, between 2014 and 2015, both balances increased in absolute LAK and USD terms for the CARD grantees as well as the rest of the sector. In relative terms (i.e. as a percentage of GNI per capita), the average loan size for CARD grantees also increased (3.1%), while that of the non-supported institutions decreased (-3.9%). The opposite trend is true for the average savings balance; i.e. it increased in absolute terms for all FSPs in aggregate, but in % GNI per capita terms it marginally decreased for the CARD grantees (-0.5%) and slightly increased for the rest of the sector (1.4%).

Table 10. Average loan/savings balance: 2014 and 2015 (end year)

Average loan/savings balance	2014	2015	Increase/decrease (annual)
Average borrower loan balance (USD), CARD grantees*	443	551	24.3%
*% GNI per capita**	*26.7%*	*29.8%*	*3.1%*
Average borrower loan balance (USD), Sector	985	1,026	4.2%
% GNI per capita	*59.3%*	*55.5%*	*-3.9%*
Average depositor savings balance (USD), CARD grantees*	90	92	1.5%
*% GNI per capita**	*5.4%*	*4.9%*	*-0.5%*
Average depositor savings balance (USD), Sector	276	334	21.0%
% GNI per capita	*16.6%*	*18.0%*	*1.4%*
*GNI per capita, Atlas method, USD (World Bank)***	*1,660*	*1,850*	

* While CARD figures compared to FINA figures for average borrower loan balance and average depositor savings balance differ, it is only a marginal difference (for example, in % GNI per capita terms, the difference is only 1% each for loan balance and savings balance). The trends identified in the CARD data are also similar to the above trends based on FINA data.

** 2015 GNI per capita estimated is predicted based the increase from 2013 to 2014.

In terms of market share, the four CARD grantees are gaining ground with regard to both savings and credit. As illustrated in Table 11 overleaf, between 2014 and 2015, the CARD grantees expanded their credit market share slightly (1.3%) in order to capture 29.1% of the total market. While the portfolio quality deteriorated from 2014 to 2015, the portfolio of acceptable quality still exceeds that of the non-supported sector (see above). For savings, a similar trend was observed, with the CARD grantee market share increasing 1.1% to reach 30.0% of the total market in 2015.

Table 11. Credit/savings market share: 2014 and 2015 (end year)

Market share	2014	2015	Gain/loss (annual)
Total gross outstanding loan portfolio (USD), CARD grantees*	8,390,485	9,745,637	1,355,152
CARD grantees market share	*27.8%*	*29.1%*	*1.3%*
*Loan portfolio with acceptable portfolio quality (PAR 30 <3%)***	*7,587,995*	*3,774,208*	*-50.3%*
In percentage terms	*90%*	*39%*	-
Total gross outstanding loan portfolio (USD), Sector	21,818,359	23,794,399	1,976,040
Sector market share	*72.2%*	*70.9%*	*-1.3%*
*Loan portfolio with acceptable portfolio quality (PAR 30 <3%)***	*20,155,316*	*6,690,680*	*-66.8%*
In percentage terms	*92%*	*28%*	-
Total outstanding savings (USD), CARD grantees*	7,940,150	10,564,220	2,624,070
CARD grantees market share	*28.9%*	*30.0%*	*1.1%*
Total outstanding savings (USD), Sector	19,558,834	24,628,807	5,069,973
Sector market share	*71.1%*	*70.0%*	*-1.1%*

* While CARD figures compared to FINA figures differ by 5% for loan portfolio and by 2% for savings, the trends identified in the CARD data are similar to the above trends based on the FINA data.

** Entire FSP loan portfolio counted if institutional PAR 30 <3% using FINA data. More precise analysis not possible due to the unavailability of portfolio aging data for the non-supported institutions in 2015. PAR 30 reported FINA data matched CARD data for 2015, while the 2014 FINA data on portfolio quality appears significantly understated. For 2014, CARD reported PAR 30 data has consequently been utilized for the four CARD grantees.

With regard to outreach, see Table 12 below, between 2014 and 2015, the ***CARD grantees experienced a very strong growth in the number of depositors; significantly outpacing the rest of the sector***. The robust growth has led the four CARD grantees to cover 61.0% of the whole microfinance savings market in 2015. In terms of credit, however, the market share of the CARD grantees declined because of the reduction in the number of borrowers on part of EMI following fraud and the registration of 'ghost' borrowers in 2014. Had EMI maintained the same number of borrowers in 2015 as in 2014, the CARD grantee borrowers would have increased by 10.5% in aggregate, which would have outpaced the growth in borrowers of the non-supported FSPs. Nevertheless, in 2015, borrowers with the four CARD grantees accounted for 43.3% of all borrowers.

Table 12. Outreach performance: 2014 and 2015 (end year)

Outreach performance	2014	2015	Increase/decrease (annual)
Number of borrowers, CARD grantees*	18,926	17,683	-6.6%
Number of borrowers, Sector	22,149	23,192	4.7%
Number of depositors, CARD grantees*	88,047	115,433	31.1%
Number of depositors, Sector	70,954	73,843	4.1%

* While CARD figures compared to FINA figures differ by 19% for borrowers (probably because XMI's village funds are not included in the FINA reported data) and 5% for depositors, the trends identified in the CARD data (-5.9% borrowers and 29.3% depositors) are similar to the above trends based on the FINA data (-6.6% and 31.1% respectively).

Table 13 on page 61 presents a number of profitability/sustainability related indicators.[172] On the whole, ***the CARD grantees*** (primarily supported only by CARD/MicroLead during the course of the MAFIPP program - see Section 3.2 above) ***perform better in terms of both the relevant profitability/sustainability ratios themselves and the changes observed from 2014 to 2015***. The CARD grantees consistently

[172] The ratio of refinancing to loans outstanding (indicated by PI3.3 as one of five key performance measures) has not been assessed since (apart from XMI) there are no cases of refinancing within the Lao PDR microfinance sector.

demonstrate overall more advanced levels of operational self-sufficiency (OSS) than their non-supported counterparts. Even after a decline in 2015, the average CARD grantee OSS (140%) still exceeds that of non-supported FSPs (108%). The decline in the OSS ratio among the CARD grantees was mainly driven by a decrease of 30% in the already strong performance of XMI, while for both EMI and SCU HP the indicator slightly improved. XMI's results were affected by a contraction in revenues, as demonstrated also by a worsening of portfolio quality and reduction in portfolio yield, and productivity of loan officers (see paragraph below). Given the high performance that XMI is nevertheless realizing, (266.7% in 2014; 182.10% in 2015), the decline is not worrisome. In terms of return on assets (ROA), the CARD grantees posted 7.9% in 2014 (compared to 6.1% of the non-supported sector) and 4.3% in 2015 (non-supported sector 2.9%). The operating expense ratio is far lower for the CARD grantees (17.8% 2014, 13.4% 2015) than for the rest of the sector (19.4%, 23.1%), which is a testament to the efficiency of the CARD grantees' operations, especially considering that the average loan size is much smaller for CARD grantees (see above). However, profitability for the entire market in aggregate decreased between 2014 and 2015.

In terms of portfolio quality, in 2015, the ***CARD grantees were also healthier than the rest of the sector***. Furthermore, even if the largest FSP (Saynhai Samphanh) in the non-supported sector (which counted for 30.3% of the non-supported market share and recorded a PAR 30 of 4.5% in 2015) had registered a better portfolio quality performance (i.e. below 3%), the overall performance for the sector would still have been of lower quality than for the four CARD grantees. Nevertheless, the rapid deterioration of the portfolio quality seen from 2014 to 2015 (throughout the entire market) is a cause for concern.[173]

Finally, even given the apparent extra constraints CARD grantees face in trying to reach remote (or unserved or underserved) areas, the cost per client (USD 17) is much lower than non-supported FSPs (USD 74), demonstrating efficient operations (as well as economies of scale since most other market players are very small). The CARD grantees are on average also more efficient from a staffing perspective with the client/staff ratio tripling that of non-supported FSPs in both 2014 and 2015. Even if the borrowers per staff and per loan officer ratios for CARD grantees decreased significantly in 2015 (partly due to a decrease in the number of borrowers as a result of fraud within EMI – see above), they still exceeded the non-supported sector which is dominated by very small institutions. Furthermore, staff allocation ratios (loan officers divided by total staff) are similar for all CARD grantees (56%-62%) and reasonable for traditional microfinance operations. On a final note, in a context of strong growth, a loan officer might be encouraged to increase outreach at the cost of taking on more borrowers with risker loans, hence increasing the probability of worsening the overall portfolio quality. However, since the number of borrowers per loan officer actually shrank between 2014 and 2015 (also because of the cases of fraud within EMI), this does not seem to be the case for the four CARD grantees.

Even if a more appropriate counterfactual or control group analysis has not been feasible and the findings above should be treated with caution due to concerns over data reliability (and comparability), the ***MAFIPP program*** (notably CARD support / MicroLead funding) does appear to on the whole have had a ***positive influence on the performance of the four CARD grantees in comparison to the rest of the sector***.

[173] In the case of XMI, portfolio quality might have been restrained by a more limited write off activity (while the write off shrank in 2015, PAR 30 increased). Lack of data on write off (and loan loss provision and risk coverage) for the sector does not enable for a comparison with the PAR 30 trend.

Table 13. Profitability/sustainability: 2014 and 2015 (end year)

Profitability/sustainability	2014	2015	Increase/decrease (annual)
Average operational self-sufficiency[1] CARD grantees	162.3%	140.0%	-22.3%
Average operational self-sufficiency[1] Sector[2]	113.9%	108.2%	-5.7%
Average operating expense ratio[3] CARD grantees	17.8%	13.4%	-4.5%
Average operating expense ratio[3] Sector[4]	19.4%	23.1%	3.6%
Return on Assets[5] CARD grantees	7.9%	4.3%	-3.6%
Return on Assets[5] Sector[4]	6.1%	2.9%	-3.2%
PAR 30[6] CARD grantees	0.8%	3.0%	2.2%
PAR 30[6] Sector[4]	1.0%	5.6%	4.6%
Cost per client[7] USD, CARD grantees	17.0	16.7	-1.6%
Cost per client[7] USD, Sector[2]	59.8	74.3	24.3%
Clients per staff[8] CARD grantees	541	583	7.7%
Clients per staff[8] Sector[2]	165	194	17.6%
Clients per loan officer[8] CARD grantees	1015	946	-6.8%
Clients per loan officer[8] Sector[2]	279	367	31.2%
Borrowers per staff[8] CARD grantees	123	89	-27.3%
Borrowers per staff[8] Sector[2]	50	51	2.4%
Borrowers per loan officer[8] CARD grantees	230	145	-37.1%
Borrowers per loan officer[8] Sector[2]	84	97	14.3%

[1] While OSS figures reported to CARD exceed figures reported to MFA by wide margins (23% difference for 2014 with 185.6% OSS from CARD and 33% difference for 2015 with 173.3% OSS from CARD) the 2014-2015 trend identified in the CARD data is also negative.

[2] Non-supported sector: Includes 21 FSPs (including non-deposit taking MFIs, deposit taking MFIs, and SCUs) providing complete key performance data to MFA in both 2014 and 2015. Calculation of OSS and staffing ratios could not be performed with the FINA data due to the lack of data to support these ratio calculations. MFA data (which includes a smaller number of comparative FSPs) has consequently been utilized.

[3] Operating expenses divided by gross loan portfolio of the current year (average portfolio not used to allow for comparable ratios for 2014-2015; 2013 data not available). Weighted average based on FSP loan portfolio.

[4] Non-supported sector. Includes 45 FSPs (including non-deposit taking MFIs, deposit taking MFIs, and SCUs) providing complete key performance data to FINA in both 2014 and 2015.

[5] Net income divided by assets of the current year (average assets not used to allow for comparable ratios for 2014-2015; 2013 data not available). Not adjusted for inflation, provisioning corrections, or donations/grants.

[6] Portfolio quality cannot be fully verified due to the lack of audited financial statements for 2015. With regard to the CARD grantees; when comparing portfolio quality data between the CARD reported data and the FINA PAR 30 data, FINA figures are considerably higher (i.e. more poorly performing portfolio quality). CARD grantee data from MFA is similar to FINA data for 2015 (2.9% weighted average PAR 30), while the 2014 MFA data is more poorly performing (PAR 30 2.1%) than the FINA data (PAR 30 0.8%).

[7] Operating expenses in the current year, divided by number of depositors in the current year.

[8] Using MFA staff and depositors/borrowers data to enable comparison to the non-supported sector. MFA data reported is comparable to CARD data, with some marginal differences (5% staff, 5% loan officers, 2% depositors, and 12% borrowers).

Final beneficiaries (client level) [EQ.4.3]

During the in-country visit, the Consultant carried out ***ten FGDs and individual interviews with a total of 81 clients*** of the five MicroLead FSPs, covering seven districts and ten villages (including four rural, three peri-urban, and three urban) in the Northern, Central and Southern part of the country.[174] Five of the ten FGDs (namely both FGDs with EMI and XMI as well as one FGD with SCU LP) included clients accessing services through the center methodology. The clients of the other five FGDs access services directly at the HQ/main branch or service unit (even if, as mentioned in Section 6.3, EQ3.1, above, both SCU HP and SCU LP also offer individual 'door-to-door' service for certain transactions). While six FGDs included both female and male participants, three all-female and one all-male FGDs were also carried out.

Table 14 below summarizes the main socio-economic features and other characteristics of the clients interviewed and taking part in the FGDs. The client sample is ***predominantly (77.8%) female***, primarily influenced by the strong focus on women on part of both EMI and XMI (up until the end of 2012, XMI only offered services to female clients). On average, the consulted clients are 45 years old, live in household composed of 5.8 members (including themselves) and have completed 7.8 years of schooling. In terms of ***age***, most (90.1%) of the consulted clients are between 31 and 50 years old (only five clients are aged 30 or below, suggesting a potential access 'gap' on part of young adults – see further Section 6.6, EQ6.5, below). Furthermore, a lower ***level of education*** is found among the female clients (7.4 years of completed schooling against 9.2 for the men) as well as among EMI and XMI clients. With regard to the latter, the difference in schooling is likely due to the fact that the EMI and XMI FGDs were carried out in rural and peri-urban areas (urban areas are commonly associated with higher levels of education).

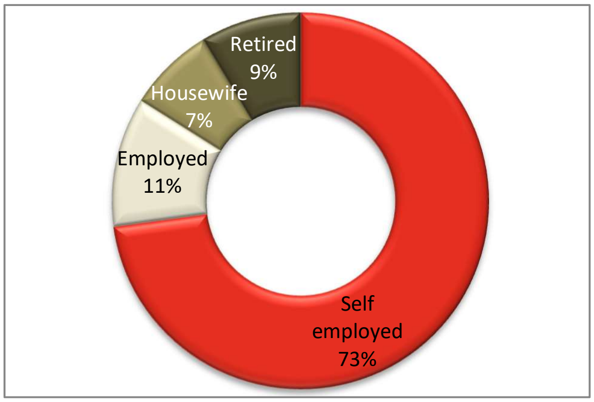
Table 14. Characteristics of consulted clients

FSP	Respond-ents (#)	Female (%)	Years in school (mean)	Age (mean)	# in household (mean)	Working (%)	'New' clients (%)	Previously 'unbanked' (%)
ACLEDA	8	37.5%	9.1	44.6	5.88	100.0%	100.0%	73.7%
EMI	20	95.0%	6.2	45.6	5.60	75.0%	100.0%	94.1%
XMI	17	100.0%	6.1	41.6	5.53	82.4%	58.8%	85.0%
SCU HP	17	88.2%	9.2	44.3	6.41	94.1%	76.5%	64.7%
SCU LP	19	47.4%	9.0	48.4	5.53	78.9%	89.5%	50.0%
Total	***81***	***77.8%***	***7.8***	***45.0***	***5.77***	***84.0%***	***84.0%***	***76.5%***

The ***majority (84.0%) of consulted clients are engaged in some sort of economic activity***, primarily self-employed in small-scale commerce and agriculture (namely farming and breeding); as presented in Exhibits 5 and 6 on the following page. The economic sectors refer to the main area of activity (one-quarter of those engaged in economic activity are also active in another sector, usually related to farming or livestock breeding). A non-insignificant share of the clients is also employed within the public sector. Among those not engaged in economic activity, most women are housewives, while most men are retired.

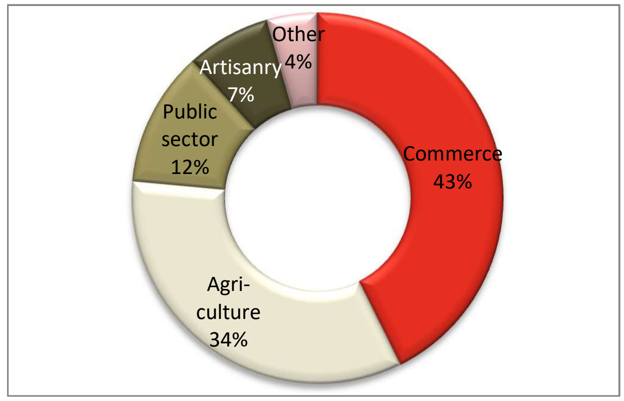
[174] ACLEDA – 1 FGD with the Xaybouly service unit (Savannakhet province); EMI – 2 FGDs with the Xaythany 2 service unit (Vientiane capital); XMI – 1 FGD with the Houn service unit and 1 FGD with the Xay service unit (Oudomxay province); SCU HP – 2 FGDs with the HQ/main branch in the Kaysone Phomvihane district (Savannakhet province); and SCU LP - 2 FGDs with the HQ/main branch in the Luang Phrabang district and 1 FGD with the Nan service unit (Luangphrabang province). A shorter FGD and individual interviews were also held with 12 EMI SmartKids clients (addressed separately in Section 6.6, EQ6.5, below).

Exhibit 5. Types of employment



% of respondents; n=81

Exhibit 6. Sectors of economic activity



% of respondents; n=68

With regard to financial inclusion, ***most (84.0%) clients are 'new' clients***, i.e. having 'joined' the partner FSP after the start of CARD support or MicroLead funding (and three-fifths of the new clients are direct beneficiaries either of the CARD supported center methodology approach and/or of newly established and MicroLead funded service units in remote areas).[175] Furthermore, ***three-quarters of the consulted clients were previously 'unbanked'***, namely without access to formal financial services before becoming clients of the partner FSP. The lowest level of previously unbanked is found in urban areas (61%) thanks to a greater presence of formal financial institutions. Furthermore, a somewhat larger share of the male clients (one-third compared to one-fifth for female clients) has had previous formal access primarily because a greater share of the men is employed in (or has retired from) the public sector. Consequently, and as already mentioned in Section 6.3 (EQ3.1 and EQ3.4) above, MicroLead support does seem to have ***fostered outreach to more remote and formally unserved or underserved areas*** through the adoption of the center methodology and/or the establishment of new service units. The areas in which the FGDs were carried out are indeed characterized by very low levels of formal financial penetration and in most cases[176] the only other options available are either village funds or moneylenders - *Lin Houai*, the Lao PDR version of a Rotating Savings and Credit Association (RoSCA), is not a commonly used mechanism in the areas visited.[177] More specifically, in seven out of nine FGDs,[178] most participants declared that without the presence of the partner FSP, they would not have been able to take out a loan because they would not meet the banks' requirements due to the lack of collateral (while a couple of clients in a few FGDs said that they would in case have asked for a loan from village funds). With regard to savings, only half of the FGDs were held in areas where other formal (or semi formal) options exist in the form of banks (or village funds).

Apart from SCU LP, the entire sample of clients has a ***savings*** account (hence all except four SCU LP clients, or 95.1% overall). All but one of all the savings clients use the simplest form of savings, namely a current account with a passbook, even if three of the partner FSPs (namely ACLEDA and the two SCUs) also offer fixed term deposits.[179] Moreover, apart from two notable exceptions,[180] clients only have one savings

[175] Six out of ten FGDs (i.e. all but the two SCU HP FGDs and two out of three SCU LP FGDs) where held in areas reached either by the recently adopted center methodology and/or by newly established service units.

[176] Namely: ACLEDA (Xaybouly service unit); EMI (Xaiyalath and Naphasouk villages connected to the Xaythany 2 service unit); XMI (Houn service unit); and SCU LP (Ban NaXao village connected to the Nan service unit).

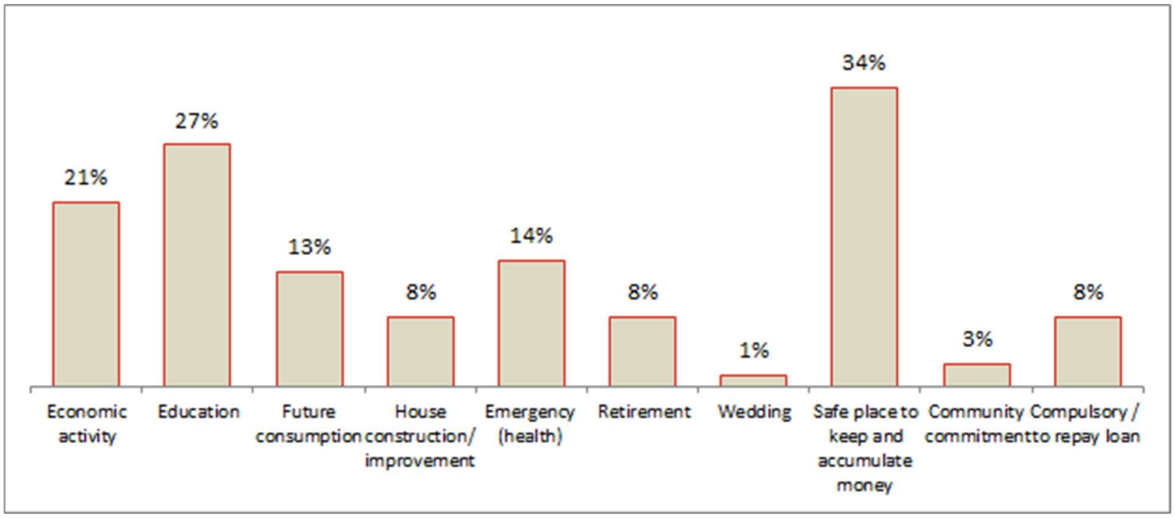
[177] Only seven clients said that they use or have used *Lin Houai*. The weak presence of RoSCAs was confirmed also by the MAP diagnostic.

[178] Feedback on this topic was not received from one FGDs.

[179] Participants at two FGDs with the two FSPs currently not offering term deposits did, however, express an interest in such a savings account.

account per household. As illustrated in Exhibit 7 below, savings purposes vary. While one-third of the savings clients save with the partner FSP simply to have a safe place to keep and accumulate their money for the future (without a specific purpose in mind), one-quarter and one-fifth respectively save to support the education of their children and to build their businesses.[181] Some also save to be able to cover expenses for future health emergencies[182] or basic consumption needs, while a small share also save with a view to future retirement[183] and house construction (or improvement). Finally, on the whole, clients are happy with the savings products offered, with no particular objection regarding the terms or conditions.

Exhibit 7. Savings purposes



% of respondents; n=77 (% do not add up to 100% as some respondents stated more than one savings purpose).

With regard to ***credit***, four-fifths of the interviewed clients have an active loan with the partner FSPs, and, on average, clients are on their 3rd or 4th cycle (with 21.5% being on their 1st credit cycle and 13.8% on their 10th or beyond). Loan purposes (see Exhibit 8 on the following page) are mostly oriented towards investment in economic activity, with 85% of the interviewed credit clients using the loans to either build or, to a more limited extent, start up their businesses.[184] A smaller share also uses credit for consumption (17%)[185] or to finance their children's education (13%). With regard to the latter, even if some partner FSPs (namely EMI, XMI and SCU LP) have developed and launched specific education loans with the support of CARD, none of the interviewed credit clients have ever used one saying that they rather address education expenses (as well as emergencies – XMI and SCU LP also have special emergency loans – and other more specific needs) with 'standard' loans. In fact, although they know the terms and conditions of their loans (and in some cases can also make comparisons with credit products of other institutions), most FGD participants with credit accounts do not even recognize what type of loan (business versus agriculture, etc.) they actually have.

180 One of these include a female EMI client who already has her own account (and insists on keeping it) when she is about to get married (*"I will keep my account and he will keep his - I think it's good to keep them separate"*).

181 In comparison, 50% of respondents in the 2014 FinScope survey saved for 'developmental reasons'.

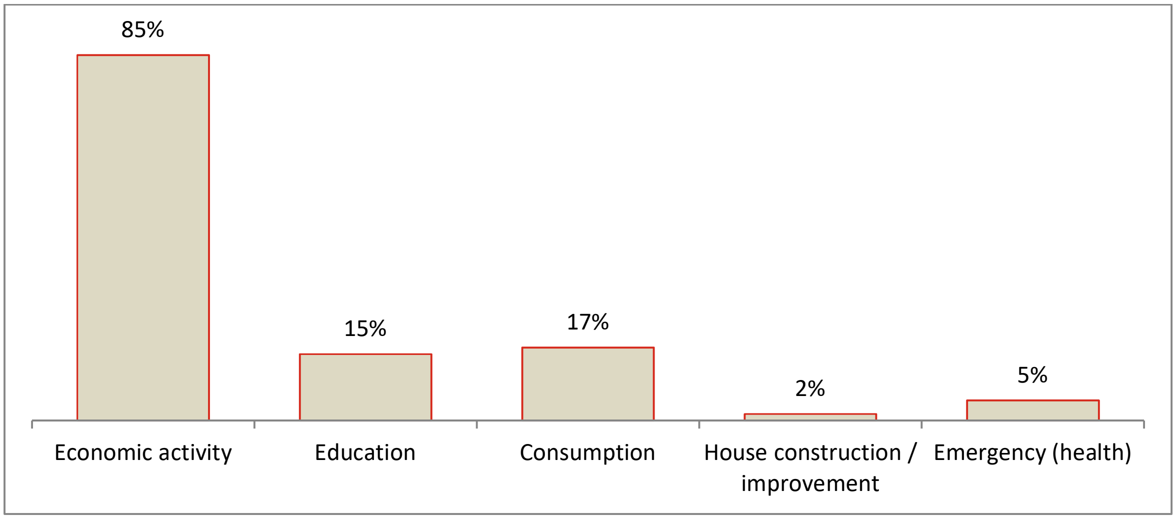
182 In comparison, as many as 74% of the 2014 FinScope respondents saved for 'medical emergency purposes'.

183 Similarly, 7% of the 2014 FinScope respondents also save in order to have some money when they retire.

184 In comparison, 55% of the 2014 FinScope respondents use credit for 'developmental reasons', while 17% use it for buying livestock.

185 In comparison, 25% of the 2014 FinScope respondents use their credit to cover living expenses.

Exhibit 8. Credit purposes



% of respondents; n=65 (% do not add up to 100% as some respondents stated more than one credit purpose).

Instead of specific credit products defined according to purpose, two FGDs called for more flexible repayment mechanisms that match their effective cash flows (some clients prefer to pay weekly while others prefer to pay monthly and their preferences do not always match the repayment schedule of the credit product they are using). Participants of four FGDs also recognize that the maximum loan size (i.e. LAK 10 million) is not enough to satisfy their needs (this is especially the case for those with a history of several loan cycles). Apart from these calls for improvements, on the whole, interviewed credit clients (with eight out of ten FGDs) particularly appreciate the speediness and simplicity of the credit process. Center methodology clients also recognize the value added of this approach since meetings are held in proximity to their home or workplace and they are generally very happy with the weekly (or monthly) meetings. However, a couple of center leaders, who manage the regular meetings together with the loan officers, would like to receive some compensation (in kind) or incentive (such as training) in recognition of their efforts. Consulted clients not served through the center methodology approach (especially the clients of the two SCUs who benefit from an individualized door-to-door service in urban or peri-urban contexts) do not see the advantage of regular meetings with other clients as they are considered time-consuming.

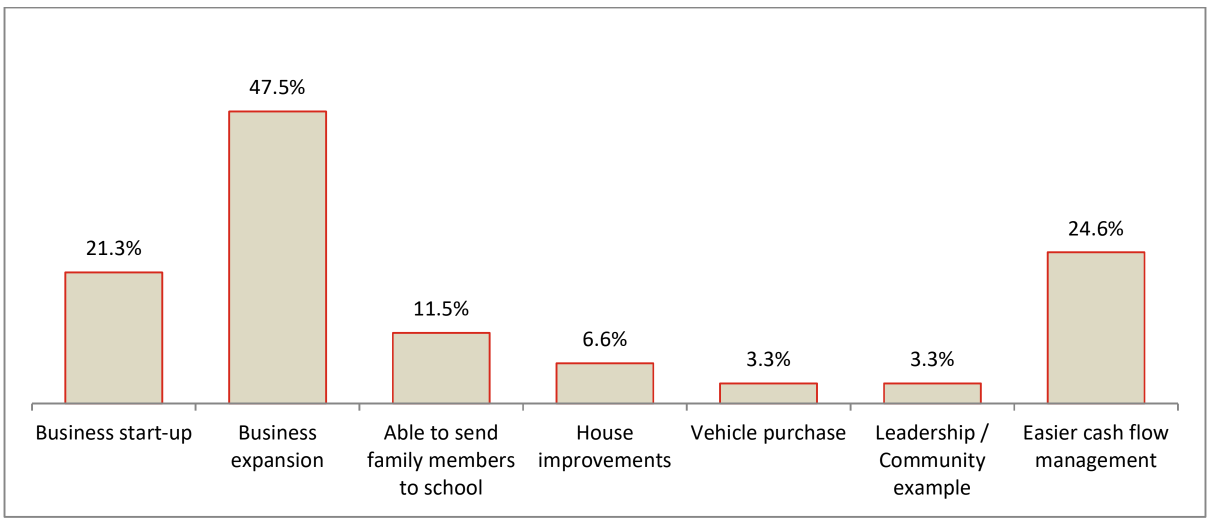
Demand for financial products other than savings and credit appears relatively limited, with four FGDs stating a need for money transfer services (a few clients of the partner FSPs currently have to go to the bank to remit) and no real interest in microinsurance on part of consulted clients. Finally, with regard to non-financial services, center methodology clients commonly receive light financial education (mostly concentrated on the importance of savings and primarily in connection with the establishment of the center - see further Section 6.6, EQ6.6, below). Some participants of four FGDs also demonstrated an interest in receiving additional support in the form of agriculture extension or business development services.

In term of financial capabilities, and despite the lack of more comprehensive financial education, most FGD participants (only a few notable exceptions) ***claim to have improved their financial management thanks to the opportunity of saving small amounts at regular and frequent intervals*** (which prevent them from spending or simply wasting money they earn or have). More specifically, participants declare to have gained a better control over expenses (six FGDs) and/or to effectively save more, and more frequently, than in the past (five FGDs).

Finally, clients were asked to answer (and freely define) if their situation/life had changed in any way since, and as a result of, gaining access to the products/services (or delivery channel – namely the center methodology) of the partner FSPs. Apart from self-declared improved financial management capacity,[186] ***three-quarters of interviewed clients also report other self-perceived changes (namely improvements)*** thanks to the services used (with no difference in perception of improvement between men and women). Although the types of self-reported positive change vary (as illustrated in Exhibit 9 below), they are mostly defined as:

- Expansion or start-up of business, bringing ***more or steadier income*** to the household (*"Before I was selling [biscuits, drinks] beside the road; now I have a proper shop thanks to the loan. My income is increased"*; *"I can now generate income with my business. I set up a shop since I became a member, before I grew maize, but the business was not good. I saved some money and with the credit I opened a new business. Now, income is steadier"*);
- ***Easier cash flow management*** (*"I can save and withdraw whenever I want, or take credit when I need"*; *"Income has not changed, but it's easier to manage petty cash and household consumption"*); and
- ***Greater ability to send children (or other family members) to school*** (*"Would have been hard for my sister to go to school if there was no credit"*; *"Now I have more things to sell and have higher income to be able to send kids to school"*).

Exhibit 9. Types of self-perceived improvements



% of respondents; n=61 (% do not add up to 100% as some respondents stated more than one type of change).

[186] Clients who reiterated only better financial management in response to the question regarding possible changes have been discounted.

6.5 Prospects for Sustainability[187]

EQ5. What are the prospects for program results to be sustainable at the micro level (i.e. supported FSPs) as well as at the macro and meso level?

Micro level: Two CARD grantees (namely EMI and XMI) have institutionalized the commitment to expand outreach, while the two SCUs are still struggling and in need of further institutional support. Structure of funding has generally evolved with an increase in the mobilization of deposits and less reliance on donations. MAFIPP facilitation of foreign equity investment in XMI and additional funding from FIF to both EMI and XMI. DFS providers challenged by the need for large upfront investments for the scaling up of services.

Meso level: Promising prospects for MFA, even if not yet financially sustainable (MFMCC crucial for income generation).

Macro level: Securing political commitment (beyond BoL) to financial inclusion as a cross-cutting area in its own right remains the primary strategic concern of the program. FISD resources not enough to meet additional responsibilities and increasing workload; need for further donor support (particularly with regard to DFS).

Reduction in donor support (either because of cuts in or diversions of funds) would jeopardize sustainability at all levels.

Performance and sustainability at micro Level [EQ5.1]

Both EMI and XMI are particularly committed to expand outreach, not only through the adoption of the center methodology, but also through the opening of new service units and the provision of additional services (XMI) or targeting a particular market segment (youth - EMI). Both MFIs can also be considered to have grown into *"investable"* institutions (see below). On the other hand, ***the two SCUs are still struggling and future outreach will depend on continued management (and board) commitment as well as the ability to ensure buy-in on part of staff***. SCU LP, despite the low levels of success so far with the center methodology, seems generally committed to continue to reach out to more remote areas (*"We have already invested a lot in this"*) and is currently adopting the center methodology approach (considering come strategic incentives as well as weekly or bimonthly visits by the loan officers to collect money at a set time, but with no common meetings with all clients). On the whole, however, the two SCUs are still in need of support.

Exhibits 10a&b on the following page compares the ***funding structures*** for three CARD grantees (all but SCU HP due to the unavailability of data) in 2010 and 2015. Funding has generally evolved, with mobilization of deposits, decreased reliance on donations, and less debt financing. The proportion of funding from deposits increased by 53% from 2010 to 2015 and donated equity reduced by 66% over the same time period. While the funding structure is less diversified in 2015 compared to 2010, the key reason is the growth in deposits which are a relatively stable funding source. Limited borrowing (namely only the FIF loan to XMI) is indicative of the difficult funding environment in Lao PDR.

[187] When feasible (i.e. where program support has already reached a certain level of 'maturity'), the evaluation has sought to conclude on (prospects for) sustainability. However, since the program has yet to finish, in some cases (i.e. with regard to certain, more recent, program initiatives or efforts) only tentative assumptions have been made.

Exhibit 10a. Average* CARD grantee funding structure: 2010

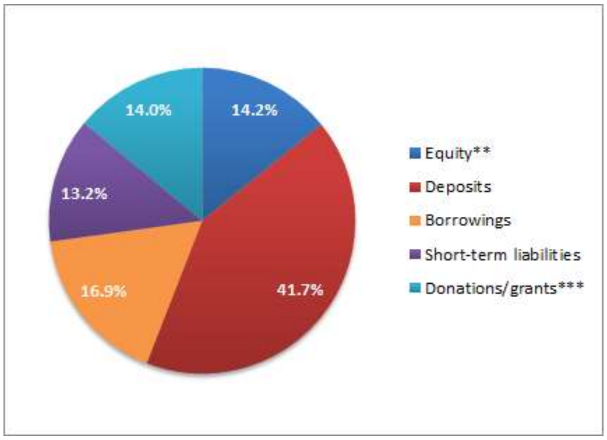
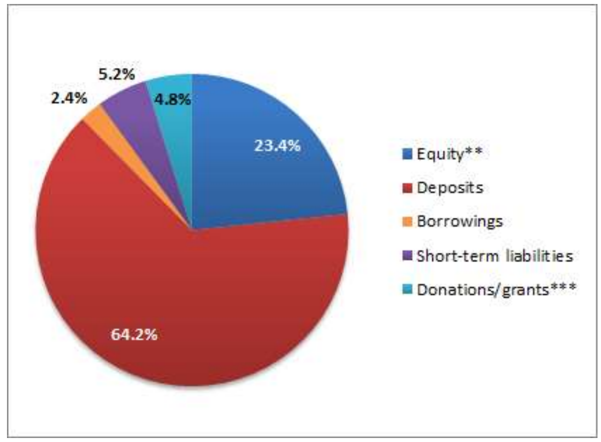


Exhibit 10b. Average* CARD grantee funding structure: 2015



* Simple average, not weighted. SCU HP not included due to unavailability of audited financial statements. SCU LP data from 2014 (2015 unavailable).

** Total equity subtracted by donated equity.

*** Donated equity portion of total equity.

The acquisition of additional funding has been slow, but current MAFIPP support is seeking to assist in this process. More specifically, since the end of 2014, ***MAFIPP has facilitated relations between XMI and a foreign investor***, Bottom of Pyramids Associate (BoPA),[188] interested in a 30% equity share of LAK 5.4 billion (≈USD 660,000) once XMI receives its deposit taking license. With MAFIPP support, which is considered by both parties as having been *"instrumental"*, BoPA has been formally invited by BoL to perform a due diligence (carried out in December 2015) and negotiate the investment terms with the shareholders (principally the provincial government of Oudomxay). External funding also brings TA and oversight, which are expected to support the sustainability of XMI's efforts. However, everything hinges on XMI actually receiving its deposit taking license. Other potential investors have also expressed an interest, but since investment regulations are not clear, they are awaiting the outcome of the BoPA investment in XMI. ***FIF funding*** has also taken two of the grantees to the *"next stage"*. While XMI has received a loan to provide onlending at two newly established service units, a grant was awarded to EMI in order to support the sustainability of the SmartKids initiative by transferring some of the operational costs onto the schools (as well as supporting a legal review with regard to providing financial services to underage youth). Nevertheless, the SmartKids initiative is considered on part of EMI as more of a social investment, a way of *"contributing to the community"*, and it has assisted in improving the image of the microfinance sector in the areas in which EMI operates (but also, through the dedicated TV show, nationwide). With regard to the cross-selling of products, while the teacher loans are picking up (see Section 6.6, EQ6.5, below), the performance of the education loan to parents of SmartKids students has been more disappointing. Furthermore, CARD, having registered as international NGO in 2013, is expected to continue to provide TA support (and possibly also equity investment) to the microfinance sector in Lao PDR (it is currently providing assistance with its own internal resources to Saynhai Samphanh and SCU Paksong). Finally, ACLEDA is presently supported by both KfW (with financing for onlending from the LAFF; even if not at any of the five service units established with MicroLead funding) and FMO (the Dutch development bank).

The Consultant has not been able to consult the complete business plans for the 2016-2020 period, but ACLEDA and the two SCUs provided ***financial projections for the 2016-2020 period***. For these three FSPs,

[188] A commercial social investor providing equity financing in small and early stage MFIs. See further http://bopa-microfinance.com/

relatively moderate levels of loan portfolio growth are anticipated, varying from 15.0% on average for SCU LP and 27.5% for ACLEDA to 45.0% for SCU HP. ACLEDA is the only FSPs that seems to have adequately budgeted for the increase in staff needed to manage this portfolio growth (with an 8.1% annual staff growth budgeted in relevant positions from 2016-2020). For SCU LP, the projected growth is more conservative, but there is no staff growth budgeted for loan officers in the coming years. With regard to SCU HP, the projected growth is on the high side, especially considering that SCU HP's portfolio growth in the past (56% annual from 2010-2015) has not been maintained at an acceptable quality (PAR 30 peaked at 16.4% in 2013 and stood at 9.5% in 2015). Furthermore, as for SCU LP, the growth projections are not clearly supported by an adequate increase in staff (3.8% annual staff increase projected; one loan officer per year). However, there is probably room for increased staff productivity (especially with regard to loan officers) within both SCUs (see Table 13 in Section 6.4, EQ4.2, above). Savings projections for all three FSPs are reasonable (ACLEDA 28% and SCU HP and SCU LP both 21%). ACLEDA is consistently sustainable and projections appear realistic with some exceptions (5.9% operating expense ratio by 2020). While SCU LP will likely remain sustainable in terms of profitability, the projections appear unrealistic, with net income projected to increase from 2015-2017 (projections outdated) at a rate six times the historical average from 2010-2015. SCU HP's net income projections are also unrealistic as they assume a rapid increase in net income not in line with historical performance. Debt/equity ratio projections show that both SCU LP (from 2.4 to 1.1 2017) and SCU HP (from 2.6 to 1.1 2017) expect a heavy decrease in relying on liabilities to fund operations. It is, however, not clear to what extent that equity will be increased in realty in coming years, and whether it be through share capital or retained earnings. Finally, the financial projections do not provide contextual assumptions that justify the projected figures.

With regard to ***DFS***, BCEL seems committed to the newly launched BCOME service. It is considered an important investment in the long term, also from a social point of view (*"We are improving access to finance in remote areas and will continue do to it"*). Actual sustainability in the long term, however, clearly depends on the ability to expand outreach (prospects look promising – see Box 4 in Section 6.3, EQ3.1, above - but have yet to been proven). With regard to the other potential DFS providers, namely the two MNOs with a DFS pilot license, the ***primary challenge lies with ensuring funding for the large upfront investment required for the scaling up services***. While ETL is currently on hold, Unitel is expected to proceed with the pilot as soon as the vendor for the IT platform has been selected as well as to receive support in terms of both financial and human resources from the Vietnamese parent company (Viettel).

Performance and sustainability at macro and meso levels [EQ5.2]

At the macro level, the ***primary strategic concern of the MAFIPP program is to secure political commitment – beyond BoL - to financial inclusion***. Most consulted stakeholders believe the MAP process to have raised financial inclusion onto the government agenda (and consulted macro level stakeholders claim to recognize *"access to finance as a top priority for poverty reduction"*), but actual government commitment to the MAP roadmap has yet to be proven. While responsibility for the MAP process in terms of guidance and coordination lies with Steering Committee chaired by BoL, responsibility for actual implementation of the roadmap remains with the respective stakeholders; which include ministries and other government bodies (as well as individual FSPs and meso level support structures). An important step towards promoting engagement would be to drive the concept of financial inclusion as a cross-cutting area in its own right within the 2016-2021 NSEDP (as envisaged by the roadmap itself) as well as through the wider cooperation within the ASEAN region (namely the financial inclusion working group as well as, for DFS, the payments and settlements working group). With specific regard to DFS, as already pointed out in Section 6.4 (EQ4.1) above, the establishment of interagency Steering Committee in support of the DFWG is essential to foster higher level support.

From an institutional point of view, ***FISD appears to be stretched to its limit*** in terms of both financial resources (budget depending on allocation from the central government) and human resources. Even if the (substantial) increase in the number of registered FSPs is an achievement from the point of view of the program, registered institutions also have to be supervised. Recent years' accomplishments have hence added considerable workload onto FISD staff. FISD is well aware of the challenges ahead and will try to *"make maximum use of the program"* in order to further build the capacity of its staff. Apart from being in charge of MFIs and SCUs, FISD also has overall responsibility for the village funds (registered, but de facto unregulated).[189] Even with the current support from GIZ, living up to this responsibility with available resources seems like an almost impossible task. New tasks, such as leasing and DFS, are also added onto the shoulders of FISD. In fact, FISD is now in charge of everything not strictly bank related and with less resources than the Banking Supervision Division at its disposal. Consulted stakeholders agree that it will be difficult for FISD/BoL to continue without further donor support (*"They still need a lot of support to build administrative and technical capacity"*). This is especially the case with regard to developing the DFS market, which clearly goes beyond the scope of only FISD as well as BoL as a whole. Finally, the sustainability of FIF will naturally also depend on the ability of the program (and eventually FISD/BoL) to secure additional donor funding and/or to seek to merge it with similar funding structures (see Box 2 in Section 3.1 above) towards the creation of a truly multidonor funding platform (as originally envisaged). In this regard, one global level stakeholder pointed to the need to gather resources at the regional level (and hence create a regional funding structure) in order benefit from economies of scale as well as to more adequately address cross-border issues (such as remittances and trade financing). In the meantime, however, FIF as a national funding structure still seems to serves a purpose within the Lao PDR context.

At the meso level, ***prospects for the sustainability of MFA look promising, but yet uncertain***. On the one hand, the association is recognized not only by MFIs, but also by SCUs which claim to be willing to remain with MFA even if/when a dedicated SCU network is created (the establishment of a national network for SCUs is apparently encouraged by ACCU). The training (namely the MFMCC) and other personalized capacity building services it offers attract both MFIs and SCUs. The MFMCC in particular is a crucial element for MFA's income generation; FISD in fact requires all registered MFIs and SCUs to certify at least three managers over the next two years. On the other hand, however, MFA is not yet financial sustainable. While the core cost recovery ratio has improved (standing at 41% in 2015 – see Annex 17), membership fees – ranging between LAK 200,000 (≈ USD 25) and LAK 1.2 million (≈ USD 150) depending on the size of the institution – and other training and service charges and contributions are yet far from covering all operational costs. The current staff of seven include: (i) the Executive Director (in place since 2013); (ii) a knowledge management and administration and finance manager supported by an accountant and a cashier; (iii) a capacity building and advocacy manager supported by a trainer; and (iv) a public relations and IT manager. Additional support is currently also provided by a GIZ consultant engaged in further adapting the MFMCC curriculum to local circumstances. These resources are, however, not expected to suffice for the adequate provision of training and other services to an increasing membership. Eventually, MFA is also expected to follow up on the MFMCC in the field. It is also considering offering additional services in the form of financial literacy and/or business development training, for which it is currently negotiating possible MAFIPP support. Furthermore, even after the MAFIPP program (and current GIZ support), ADA will continue assisting the association.

With regard to BI, while all costs related to the Higher Diploma in Microfinance (including student accommodation) are apparently covered by internal BoL resources, the diploma does not have a dedicated budget. The recently approved MAFIPP grant will support the development of training material and training

[189] NCRDPE also has a somewhat overlapping responsibility for the 'supervision' of the village funds.

of teachers and some cost recovery measures have been put in place (namely the selling of textbooks to students), but long term sustainability looks uncertain at best (especially considering that the microfinance teacher pool is expected to grow from six to 12 in order to support the growing number of students and subjects should the diploma be upgraded to a bachelor's degree). Finally, MFC currently only has three employees and its OSS ratio has decreased in recent years (standing at 79% in December 2015 – see Annex 18), but the need for its staff-targeted training is anticipated to rise as the microfinance sector grows. It also collaborates with MFA and is expected to continue to receive support from both CARD and SBFIC.

Contextual factors [EQ5.3]

Since financial inclusion (especially through the microfinance sector) is still in a relatively nascent stage in Lao PDR, there is a definite need for continued capacity building at the macro, meso and micro level. The greatest external risk to sustained results at all levels seems to be the reduction in donor support. Donors either cut funding (in fact, DFAT, one of the main donor supporting financial inclusion in Lao PDR, has already seen a 40% budget cut) and/or divert it to other countries in the region (a number of stakeholders pointed to a shift in resources towards Myanmar). Furthermore, at the institutional level, potential changes within the present devoted top management (notably the Director General and the Deputy Director General) of FISD could possibly also influence the commitment and 'drive' currently in place within the division. On a positive note, Lao PDR's 2016 ASEAN chairmanship could support progress and provides an opportunity for the MAFIPP program to 'leverage' a regional engagement on part of relevant Lao PDR institutions.

6.6 Cross cutting Themes

EQ6. How well are cross-cutting issues of gender, ethnic groups, youth and financial education & client protection (and environmental sustainability) integrated into program design and/or implementation?

Gender outreach addressed in targets and tracked by program (as well as by FSPs and MFA) and women partly recognized as a priority segment at the macro level, but no particular national (or program) strategy developed for female financial inclusion. However, national findings do not point to substantial differences in male and female financial access.

Recognition of access gap on part of some minority ethnic groups, but no formal actions taken or strategies developed to address this gap.

Youth identified as potential target market and youth outreach recently tracked by the program and supported through FIF funding to EMI.

Financial literacy identified by the roadmap as a fundamental need for all target market segments, but without dedicated resources not enough emphasis on or support for the provision of financial education to date.

Recognition of client protection principles strongly supported at all levels and acknowledged as priority by the roadmap, even if monitoring of actual implementation on part of FSPs seems weak.

Gender [EQ6.1, EQ6.2 & EQ6.3]

During the ***design*** phase (both in the 2010 Prodoc and its 2014 amendment), the gender dimension was only addressed in the sense that, in line with standard UNCDF requirements, the program should ensure that ***at least 50% of clients are women*** (and that gender disaggregated data should be collected). No preparatory gender analysis was carried out and no specific gender targeted approaches were defined (and benchmarking was not possible because of the lack of sector data at the time of program preparation). As of 2012, the Results Framework (the monitoring tool used by the MAFIPP team) ***targets and tracks overall female outreach***, which was further adjusted (and split into two parts) following the 2014 ProDoc amendment; namely 60% out of 208,000 additional active users of traditional services (PI0.1) and 35% of among the 200,000 DFS users (PI0.2). While some gender targeted measures have been taken (per below), the program as a whole, however, has not sought to deliberately sensitize or strategize around the theme of gender.

Agreements with all partner FSPs set targets for gender outreach with regard to both depositors and borrowers, with minimum and proposed targets respectively set at 50% and 75% of total outreach. With regard to the four CARD grantees, as of December 2015 (see Annex 13), EMI, XMI and SCU HP reached the proposed target and SCU LP the minimum target for female borrowers. SCU HP fulfilled the proposed target also for female depositors, while the other three reached the minimum target. ACLEDA on the other hand reached neither the proposed nor the minimum targets (see Annex 16). The proportion of women clients of the four CARD grantees (possibly selected also for their strong female focus at the time) have fallen from 2010 to 2015. In 2010, while 87% of depositors and 90% of borrowers were women, female outreach decreased to 61% and 77% respectively in 2015. While one reason behind this overall declining trend is XMI's change in target market from historically targeting only women to targeting both women and men as of end 2012,[190] among the other CARD grantees only SCHU HP increased its female outreach (from 52% to

[190] The switch to also serve male clients was made following market research (which also pointed to a few cases of female clients taking out loans on behalf of their husbands or other male family members when XMI only served women).

78% women depositors and from 78% to 81% women borrowers). In fact, SCU HP specifically seeks to reach out to female clients by collaborating with women's unions. For ACLEDA, women borrowers remained stable (from 50% to 49%) and women depositors decreased (from 49% to 38%) between 2010 and 2014.[191] With regard to the provision of DFS, even if gender targets are not defined in BCEL's PBA, female outreach in terms of unregistered users and transactions of registered customer accounts are tracked by the program.

When developing new (or refining new) products, the partner FSPs have not deemed it necessary to distinguish conditions according to gender; as confirmed also by the consulted female clients who do not feel the need for differentiated products. The client data analysis (see Section 6.4, EQ4.3, above) revealed no gender differences in client satisfaction or in perception of improvement. It is perhaps interesting to note that the ***center methodology approach does not appear to particularly favor women***. In fact, in the case of EMI (the only FSPs for which an adequate internal comparison can be made), while 70.9% of the center methodology borrowers were female at the end of 2015, the other borrowers (i.e. those accessing credit directly at the branch) were all (100%) female. However, one of the two clients who fall in the 'Leadership / Community example' category (see Exhibit 9 in Section 6.4 above) claimed that the opportunity for her to be a center leader has also empowered her in her role within the general community.

At the ***meso level***, although there is a general awareness of the importance of reaching out to women when seeking to combat poverty, gender outreach strategies are not specifically addressed by MFA (or the MFMCC). However, female outreach is included among the performance indicators on which MFA members report (and, in December 2015, 61% on average of all borrowers of the 41 FSPs reporting to MFA were female). Gender is also one of the very few client data collected by the FSPs.

At the macro level, the 2014 FinScope survey (and the full MAP diagnostic) specifically addresses female outreach across all dimensions. It should be noted that the survey found ***no major differences in financial access*** between male and female respondents; with equal access to formal services (47% female; 46% male) and a slighter higher share of male respondents having no access (28% versus 24%). FinScope also concluded that more women than men save (65% versus 61%) and more often through formal mechanism (28% versus 25%). Furthermore, the recently released Implementation Guidelines for the 2012 draft Decree on MFIs states that deposit taking MFI "must maintain the portion of … loan for woman not less than ten per cent (10%) of the total credits" (Article 15, point 3). Based on these findings, women are specifically part of some of the priority market segments of the MAP roadmap, but it does not identify a particular strategy for the financial inclusion of women.

In terms of effective ***participation on part of women*** in management and governance, one eligibility criteria for the selection of FSPs is related to the promotion of female participation, but no indicators on the numbers of female staff are tracked or monitored (except for ACLEDA, where women in senior management stood at only 4% and in Board of Directors at 0% in 2014). With regard to the total number of staff, however, the majority are women at all but one of the four CARD grantees; EMI (68.8%); XMI (50.0%), SCU HP (78.6%); and SCU LP (38.5%). The percentage of female loan officers is somewhat lower with EMI and XMI as well as with SCU LP (which has no female loan officers); in some parts of the country it seems to be culturally considered primarily a 'male' profession. Female participation in MAFIPP organized training and capacity building events is only sporadically tracked; the Consultant has hence not been able to assess the share of female delegates or participants overall. Finally, within the MAFIPP (and BoL) team itself, 40% are women.

[191] However, in 2015 (a year after the grant agreement ended), the percentage of female savers jumped up to 55%.

Ethnic groups [EQ6.4]

Even if the largest number of poor (44%) in Lao PDR are of Lao-Tai origin, poverty is particularly high (around 40%) among a few ethnic minorities (notably the Mon-Khmer and Hmong-Lu-Mien).[192] Most stakeholders interviewed at all levels of intervention recognize that some minority groups are more disadvantaged than others (primarily because they live in remote areas and/or lack collateral), but actual ***strategies to reduce this access gap have not been formalized***. While ethnicity is addressed by the MAP context analysis (stating that "ethnic minority populations have comparatively less access to markets and public services") and the MAP roadmap recognizes "a high degree of ethnic diversity", the demand side analysis (i.e. the FinScope survey) did not include this aspect in the respondent profiles.

Furthermore, the ***partner FSPs do not track the ethnic origin of clients*** and the MAFIPP program does hence not report on outreach to minority groups. In practice, the geographical dispersion of the supported FSPs and the adoption of the center methodology approach do allow them to reach out to remote areas, and possibly also different ethnic groups. For example, the FIF loan to XMI has been used to provide onlending at the newly established service units in the Beng and Namor districts; two relatively ethnically diverse districts in Northern Lao PDR.

Youth [EQ6.5]

Even if the original program design did not include any particular attention to youth as a target group, MAFIPP started tracking youth clients (classified as below 25 years of age in line with the standard UN definition)[193] of partner FSPs in 2014. In general, given the young population of Lao PDR (in 2015, around 44% of the population was below the age of 25),[194] consulted stakeholders recognize the importance of targeting this segment. The labor force participation of young Laotians is also relatively high (83.7% for 20-24 year olds and 48.9% for 15-19 year olds).[195] However, like in many other countries, ***financial access is commonly lower among younger adults***. The FinScope 2014 survey (see Exhibit 11 on the following page) found that 32% of 18-24 year olds (and 30% of 25-34 year olds) have no access (i.e. do not use financial services), compared to between 20% and 25% of adults aged 35-54 years. Similarly, only 5% of younger adults have access to formal credit (compared to 11% for 35-54 year olds). The 2011 Findex data (see Table 15 overleaf) also point to differences in formal financial access between 15-24 year olds and adults aged 25 or above. Finally, the age composition of the FGD participants also seem to confirm an apparent access gap on part of younger adults; only five of out 81 participants were aged 30 or below (and the average age was 45 years). Furthermore, another five respondents claimed to have taken a loan for their adult daughter or son ("*She is too young…; I can have better conditions*").

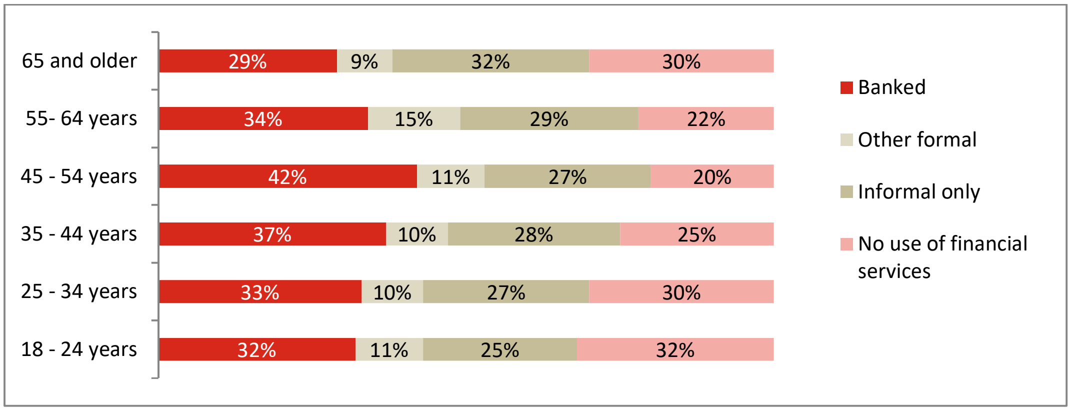
[192] World Bank, 2014 Poverty Profile in MAP Country Diagnostic Lao PDR.

[193] There is no official definition of youth in Lao PDR, even if the Lao People's Revolutionary Youth Union (LYU), the largest youth organization, considers the 15-30 age range. http://www.youthpolicy.org/factsheets/country/laos

[194] World Population Prospects: The 2015 Revision, UN Department of Economic and Social Affairs (DESA), Population Division, July 2015. http://esa.un.org/unpd/wpp/Download/Standard/Population

[195] Lao People's Revolutionary Youth Union (LYU) and United Nations Population Fund (UNFPA), "Adolescent and Youth Situation Analysis Lao People's Democratic Republic: 'Investing in young people is investing in the future'", 2014. http://countryoffice.unfpa.org/lao/drive/AYSA_Report_Eng.compressed.pdf

Exhibit 11. Financial access by age: 2014



Source: FinScope, 2014.

Table 15. Financial access by age: 2011

Indicator	Ages 15-24	Ages 25+
Account at a financial institution	22.97%	28.48%
Borrowed from a financial institution	13.91%	20.03%
Borrowed from family or friends	19.64%	13.84%
Saved at a financial institution	18.73%	19.64%

Source: World Bank, Global Findex, 2011.

Interest in youth on part of the MAFIPP program as a target segment for outreach was spurred by ***EMI's SmartKids program***. The initiative was launched in 2011 with support from Aflatoun and the Barclay's Bank Foundation. It includes the provision of financial education (assisted by teachers who are trained by EMI staff) at primary and secondary schools in Vientiane capital and offers dedicated savings accounts for children as well as teachers (the program also seeks to promote education loans to parents and teachers' loans). As of December 2015, the SmartKids program had been launched in 53 schools and, as of March 2016, total outreach amounted to 41,932 students (50.9% female) and 1,701 teachers (51.1%) female. With total outstanding savings of LAK 1.1 billion (≈USD 130,000) for students and LAK 213 million (≈USD 26,000) for teachers, the average savings balances stood at respectively USD 3.1 and USD 15.4. Even if the average student savings balance is small, the SmartKids program significantly contributed to EMI overachieving its proposed PBA target in terms of number of savers**.** In fact, in December 2015, SmartKids savers accounted for ***45.2% of all depositors***.

The SmartKids program is also recorded and broadcasted on national television every Saturday morning (one session of one hour). The show ("Fight for Kid") has enhanced EMI's visibility as well as brought it to earn third place in the "Wall Street Journal Financial Inclusion Challenge". During the in-country visit, the Consultant met with 12 (including seven female) SmartKids students at the Veunkham Primary and Secondary school in Vientiane capital (Xaythany 2 district). They all seemed to appreciate the savings product and the fact that they can carry out all transactions at the school. They also demonstrated a clear understanding of the features (minimum savings amount of LAK 500, rules to open and deposit into the account, value of interest rate, withdrawals that need to be authorized by the parents and in some cases also by the teachers, etc.). In general, the interviewed students do not work, but rather receive pocket money from their parents and they usually save half. Before opening the savings accounts with EMI, half of them used to save with village funds, but given the higher minimum savings amount, they are considered less convenient than the SmartKids accounts (one student also used to save some money at home). While five students accumulate savings for general future purposes without any specific goal, four saved with the long term goal of supporting their future education and three saved for a more short-term goal of buying a motorbike.

In June 2014,[196] EMI was awarded a FIF grant of USD 89,026 to establish EMI Smart Finance Centers with a number of schools (at the time of the in-country visit, the first center was being piloted at one school and, by the end of 2016, the system is expected to be rolled out at another 27 schools). The FIF grant covers the costs of the MIS/interface of these centers, effective school branches, which are managed by the students and supervised by the teachers with EMI staff only playing a more limited monitoring role. FIF funding will also cover the costs for a legal review with regard to the provision of financial service to underage youth as the ***current regulatory framework is not clear***; in theory account holders need to be 18 years old, but many FSPs (not only EMI) allow for children savings account to be opened in the names of the children and requiring parents' authorization for all transactions. In fact, also other partner FSPs encourage parent clients to opening savings accounts in the name of the children. At two XMI service units (Beng and Houn) 12-15% of all passbook savings accounts are in the name of underage children. SCU HP also roughly estimates children's savings accounts to amount to 7% of all accounts.[197]

Financial education & client protection [EQ6.6]

Financial education

Even if the MAFIPP results chain / theory of change framework defines the intended impact at client level as "improved financial literacy knowledge/skills and capability to make financial/investment decisions" (see Annex 2), ***neither the design nor the original strategy of the program places much emphasis on the provision of financial education*** to the final beneficiaries. Nevertheless, as a cross-cutting theme without dedicated resources, financial education has been addressed in the implementation of some activities.

At ***micro level***, CARD support to the four grantees included work on financial education while developing the center methodology, even though it was not a primary focus and its effective delivery has been limited. Specifically:

- XMI has developed a ***Credit with Education (CwE) curriculum*** of 12 modules, but has in practice only delivered the first module in the form of light financial literacy (importance of savings and explanation of products offered) at the time of establishing the centers. Beyond this, having observed a lack of interest on part of their clientele, XMI has limited the provision of financial education to the center leaders. However, XMI has recently started to do all 12 modules with all newly established centers. Together with MFA, it is also discussing how to develop somewhat shorter and more user friendly financial literacy modules.
- EMI, apart from the SmartKids initiative (see EQ6.5 above), has also developed a CwE curriculum of two modules, but currently considers it ***too costly to implement*** (*"There has been a lot of talk, but in the end nothing"*).
- Like XMI, both SCU HP and SCU LP provide a ***light financial literacy training*** upon the inception of a center (information is first disseminated to the village leader and then to new clients during the first meeting) as well as individually to new union members.

[196] With the contract signed in February 2015 and the first tranche transferred in March 2015.

[197] Another FSP at the market level, namely the Women and Family Development Fund (WFDF), also offers specific children savings accounts.

In practice, based on the information gathered from the FGDs, most clients served either through the center methodology or the individual ‘door-to-door’ service of the two SCUs have received very light training on the importance of savings[198]; in one case, the group had also received coaching on how to expand their businesses. Some of the clients[199] demonstrated an interest in receiving additional support in terms of business development or agriculture extension services.

At ***meso level***, financial education is apparently addressed (together with client protection) in MAF’s MFMCC under the subject of social performance management. Furthermore, the MAFIPP program is currently negotiating with MFA for the potential piloting of the provision of business development training with four FSPs.

At macro level, the ***MAP roadmap identifies consumer empowerment (and protection) as one of five priority areas and financial literacy (and consumer protection) as a primary need for all target market segments***. In fact, the 2014 FinScope survey points to generally very low level of financial skills (with many adults being virtually innumerate). Furthermore, the survey also found that the main access barriers do not seem to be not supply related, but rather demand related; 25% of adults do not use any form of financial service and for some this is by ‘choice’ largely linked to either cultural issues and/or the lack of information on financial services. With support from GIZ, FISD is also seeking to promote a national strategy on financial education (see Box 2 in Section 3.1 above).

Finally, at ***program level***, the ToR of the DFWG includes financial literacy as a topic of discussion, highlighting the need of “defining strategies for financial literacy and facilitating customer awareness, adoption and usage (new products and services and innovative regulatory approaches)”. Together with the AFP initiative of GIZ, the MAFIPP program is considering the provision of financial education at vocational training schools (yet to be operationalized).

Client protection

Client protection, also a cross-cutting area without dedicated resources, has been promoted by the program through a number of initiatives. At macro level, as mentioned above, the ***MAP roadmap clearly prioritizes client protection (and education) in any efforts to promote financial inclusion***. FISD has also been assisted by GIZ (see Box 2 in Section 3.1 above) in the drafting of a client protection decree. At meso level, as already mentioned in Section 6.3 (EQ.3.2) above, the ***MFA’s Code of Conduct requires that all members fully embrace the seven CPPs of the SmartCampaign***. The inclusion of adequate provisions for client protection in the code conduct was in fact a condition of the grant agreement between MFA and UNCDF. The MAFIPP program and MFA are now looking at possibilities for assessing actual implementation of the principles (with some form of self-assessment as a first step). Finally, client protection is also ***included in the MFMCC module on social performance management***.

From a ***program*** perspective, the agreements with other partners[200] also ***encourages the endorsement of the SmartCampaign initiative***. However, while the UNCDF grant agreement with CARD supports adherence to the SmartCampaign, the individual TA agreements between CARD and the four FSPs do not make reference to it even though all four grantees (as well as ACLEDA, but not the potential DFS providers) have effectively endorsed the campaign. The grant agreement with CARD also calls for it to inform the UNCDF of progress made with regard to client protection on part of the four grantees, but the Consultant is not

[198] Four FGDs out of six with center methodology; one out of two with ‘door-to-door’ services.

[199] Four FDGs.

[200] Agreements with ACLEDA, CARD, and DFS providers (but not in the MoU with Unitel).

aware of any specific updates in this regard. Furthermore, ***one of the thematic areas (strategic window) under FIF includes responsible finance and client protection***, but no calls under this area have yet been launched.

In terms of direct support to FSPs, even if CARD has ***promoted training on the SmartCampaign principles***, the partner FSPs in general demonstrate relatively little awareness (or 'ownership') of the principles when solicited (*"I heard about the SmartCampaign, but I do not know about the principles"*). Only XMI showed a higher level of awareness, being able to explain which improvements they have carried out in relation to the CPPs (see below). The general unawareness does, however, not mean that good practices are not in place, but rather that there is no direct link between what they are implementing or improving and a deliberate recognition of compliance with international standards. In fact, in general terms, the partner FSPs do seem to be on an ***initial path towards the implementation of recognized client protection practices***.

For example, over the past few years, XMI has slightly improved the following practices (with reference to the CPPs in parentheses): (i) enhancement of practices to combat over indebtedness (CPP2), improving cash flow analysis during loan assessment and identifying clients' repayment capacity;[201] (ii) improvement of transparency (CPP3), informing clients about interest rates and compulsory savings, strengthening communication during the loan process; and (iii) management of the complaint mechanism (CPP7), introducing the use of suggestion boxes at service units (however, as it commonly happens, they realized that the use of suggestion boxes is not the right channel for clients in rural areas due to the high level of illiteracy). Finally, the FGDs with clients (not only for XMI, but also for the other FSPs) do testify to the actual implementation of some basic standards, such as clearly and properly explaining all conditions to the clients at the time of loan application and before contract signature and disbursement, adjusting the amount of credit to the repayment capacity of the clients, etc. Only one of the consulted clients had experienced difficulties in repaying on one occasion, but after having spoken to the loan officer about this, the client was able to delay the repayment with one month (*"No problem"*). Perhaps the most obvious concern remains the relatively high, even if they have been brought down, interest rates (*"Way beyond what is reasonable for performance"*) usually applied on a flat basis. However, the recently published Implementation Guidelines now call for the application of declining rates on all loans above LAK 5 million (≈ USD 620), which can be considered a welcome measure.

Environmental sustainability [EQ6.7]

Program design does not appear to have paid particular attention to ensure standards of environmental protection or sustainability. Apart from the ACLEDA grant agreement listing the submission of ACLEDA's environmental protection policy (or an exclusion list for loans) as a disbursement condition for the first tranche upon contract signature, no other measure seems to have been taken towards seeking to ensure that financed business activities do not harm the environment (or towards promoting activities supporting environmental sustainability). Furthermore, in order to comply with UN standards on environmental sustainability, programs should include (social and) environmental screening procedures and an accountability mechanism, but the Consultant can find no specific reference to such procedures or mechanism within the MAFIPP program.

[201] In this regard, the 2014 FinScope survey revealed, that although the level of indebtedness in the country is low one average, "low-income groups have an alarmingly high level of debts". In fact, almost four-fifths of the respondents found it very difficult (27%) or difficult (51%) to keep up with financial commitments. And 68% of adults felt they needed more information on how to manage their money (another important testament to the importance of financial education)

7 Conclusions and Recommendations

7.1 Overall Assessment

The holistic market development approach of the MAFIPP program as well as its attention to promote national ownership and leadership with FISD/BoL as the implementing agency have effectively supported the building of capacity at all levels. A ***relatively cost-effective and generally well managed program***, supported by a competent team of professionals, has, despite delays in implementation, realized some ***notable achievements to date***. In particular:

- Creation of a very good working relationship with FISD, essential for national buy-in and sustainable progress.
- Launch of a USD 2.5 million financing facility, the Fund for Inclusive Finance (FIF), for the provision of grant, loan and/or TA support to FSPs, DFS providers and meso level institutions.
- Substantial strengthening of four FSPs (the CARD grantees) promoting: (i) differentiation of credit products; (ii) adoption of center methodology for outreach into remote areas; (iii) substantial growth in savers and borrowers (with the grantees now accounting for a considerable share of the microfinance market); and (iv) improved loan portfolio quality (even if worsening for the market as a whole in 2015) and better performance with regard to a number profitability indicators than the non-supported sector.
- Transformation of an informal working group into a registered and recognized Microfinance Association (MFA), providing effective training – including the launch of a comprehensive Microfinance Master Certificate Course (MFMCC) - and advocacy services to the sector.
- FISD/BoL engaged in industry dialogue through the annual Microfinance Forum and dedicated working groups (notably with regard to DFS).
- Creation, from scratch, of an initial regulatory framework for the development of DFS coupled with an increased awareness also on part of (potential) DFS providers of the opportunities and challenges with providing mobile money and/or branchless banking services.
- Implementation of an unprecedented and participatory policy process; the Making Access Possible (MAP) evidence-based diagnostic and programmatic framework.
- Facilitation of the first foreign microfinance equity investment in the country.

While recognizing these important accomplishments, MAFIPP also faces a ***number of challenges*** until (and beyond) the end of the program. More specifically:

- Struggling to reach (perhaps overly) ambitious outreach targets, especially with regard to DFS as services have yet to take off.
- Current regulatory framework for microfinance, albeit changing, is generally not considered as favorable for growth for the usually small sized FSPs and regulations remaining in draft format cause uncertainty with regard to which rules to follow.
- Ensuring higher level political commitment beyond FISD/BoL to the MAP roadmap (and DFS) in particular as well as to financial inclusion as a cross-cutting theme in its own right in general.
- Limited market demonstration effects with little knowledge management and dissemination efforts beyond DFS to date.
- (Potential) DFS providers challenged by the large upfront investments involved.
- Securing additional funding for FIF beyond the term of the MAFIPP program.

Finally, with specific regard to lessons learned from the market development approach of the program, MAFIPP has, apart from direct capacity building of FSPs (as well as potential DFS providers) at the micro level, rightly: (i) strengthened the capacity of as well as nurtured a strong commitment on part of FISD/BoL (the regulatory body) at the macro level; and (ii) supported the work of MFA as an industry representative body at the meso level. However, at the macro level, securing higher level (i.e. beyond FISD/BoL) commitment is also essential in order to not only ensure coherence between program efforts and the development of the overall policy framework (most notably the NSEDPs), but also to accelerate and/or intensify efforts at the policy (including the MAP roadmap) and regulatory levels. More direct support on general (i.e. not just the specific area of DFS) microfinance regulatory issues could perhaps also have been provided through a more structured collaboration with GIZ's AFP program in order to further promote the development of a general regulatory framework conducive to financial access/inclusion. At the meso level, once an industry association matures into a relatively effective institution, it also seems timely to leverage it as a channel for knowledge management and dissemination of best practices in order to promote market replication effects as well as industry coherence.

7.2 Recommendations

Based on the findings of the evaluation, the Consultant proposes the following main recommendations:

First, in support of the implementation of the MAP roadmap, which recognizes five priority areas as well as eight target markets segments, MAFIPP management (namely the PMC) should seek to identify where and how the program fits into the national strategy. The intentions of the MAFIPP program are to extend outreach on part of FSPs (one of the priority areas) and, in general terms, to focus on the low-income (as well as informal employees and possibly also dependents) target market segments. Within this general framework, however, the Consultant recommends a ***clearer definition and strategic orientation on part of the program itself towards further refining what MAFIPP intends with financial inclusion***. That is, instead of scrambling towards a quantitative number of clients per se, the program should now seek to adopt are more qualitative approach in terms of who should be reached and how. If financial inclusion as whole is considered as a global and articulate process to provide opportunities for unserved and underserved people, it is necessary to better define where and how a variety of FSPs (or indeed village funds) can respond to the specific (and changing) needs from different targets of the population.

In general, it would be beneficial to deploy more efforts towards further promoting the reaching out to the intended beneficiaries of the program; namely the 'low-income' segment (as defined by the ProDoc), or indeed the 'poor' (as the program name refers to).[202] In this regard, even if expansion into more remote areas is challenging within the nascent Lao PDR context, ***more emphasis on outreach in priority poor districts and/or rural areas*** is recommended.[203] Results (in terms of number of clients) in the short term is often greater in urban or peri-urban areas, but actions in priority poor districts and rural areas could be

[202] The distinction between 'low-income' and 'poor' is also relevant; particularly in rural contexts where the monetary income level does not necessarily correspond to the effective level of poverty (considered as capacity to access essential goods and services for a decent standard of living).

[203] Although the MAFIPP program can obviously not force FSPs to expand into 'desired' areas, it could provide additional incentives. For example, dedicated calls under FIF could only target expansion into districts classified as priority poor and/or rural. Furthermore, institutional capacity building to FSPs presently too weak, but already present in (or at least willing to expand into) priority poor and/or rural areas, would increase their possibilities to successfully embark on expansion initiatives in the future (even if beyond the term of the MAFIPP program). The possibility of engaging with village funds (even if generally considered the 'domain' of GIZ's AFP program) in certain areas could also be considered. An alternative approach towards seeking to truly reach out to the intended beneficiaries would be to encourage FSPs to ensure outreach to low-income/poor clients in the districts in which they are already present (even if urban or peri-urban areas and 'non-poor' districts) by for example effectively assessing their poverty/income level.

more effective towards preventing poverty in the long term (also to avoid excessive migration from the countryside to the cities). Furthermore, financial inclusion is not only about the number of persons reached (within the intended target groups), but also about the services provided. Providing one service (say credit) or a package of services (savings with financial literacy training; credit with agricultural extension services and/or microinsurance) is not the same thing in terms of financial inclusion. There is no one unique model for a path of financial inclusion, but it is important to try to identify potential mechanisms able to enforce the capacity of people to find their own way to access to financial services (from savings to credit, from payments services to savings, etc.). Finally, once more targeted outreach and strategy have been defined, the monitoring framework should be adjusted accordingly – i.e., tracking rural clients if outreach is to target rural area, tracking the poverty/income level of clients if outreach should focus on poor/low-income clients, tracking loan purpose and sector of involvement if certain sectors are to be encouraged, etc.[204]

Second, as part of a stronger strategic orientation of the program and since the intended impact for the end beneficiaries (i.e. the clients) is "improved financial literacy knowledge/skills and capability to make financial/investment decisions", MAFIPP should place a ***stronger focus on the provision of financial education***. Efforts in support of financial education are clearly in line with the MAP roadmap, with client protection and empowerment identified as one of the priority areas and financial literacy defined as a primary need for all target market segments. It is important to underline that the program should seek to orient financial literacy activities as part of an important effort for citizen empowerment and not just to be used by FSPs as an instrument for marketing their products. The center methodology approach seems to present a potential opportunity for providing horizontal, rather than just top down, financial education through the center leaders and secretaries and/or strengthening the engagement village leaders (already heavily involved in the center methodology in some villages). Similarly, the use of a peer 'ambassadors' approach could also be considered for certain target groups (such as youth).[205] Apart from utilizing program instruments (such as supporting a FIF call under the thematic area of responsible finance and client protection), synergies should also be sought with other donors, most notably the GIZ's AFP initiative, which is working to strengthen the financial literacy aspect on part of village funds as well as support the drafting of a national strategy on financial education.

Third, in order to support market replication or demonstration effects, the program should seek to ***leverage MFA*** (since it has now grown into a relatively effective institution) ***as a channel for knowledge management and dissemination of best practices*** beyond the principles of the SmartCampaign (as already encouraged by the program). This would also assist in the development of professional standards promoted by and throughout the industry itself on a voluntary basis. The ***promotion of voluntary industry standards*** (horizontal approach) in parallel with existing regulations and requirements (top down approach) can often prove an effective way of introducing real and permanent professional changes as it supports the creation of a shared culture of financial inclusion within the industry. For example, an FSP can apply a declining interest rate not because the regulation necessarily says so, but because the industry itself has agreed on it as a common practice. With specific regard to financial education (see recommendation above), MFA could be supported in the creation and dissemination of a 'standard' and user friendly financial literacy training package (with different modules, one for savings, one for credit, etc.) for the industry as a whole to be adapted and individualized at the FSP level. Furthermore, through MFA, the MAFIPP program could also

[204] Once a more strategic orientation has been defined, the program - namely the PMC (supported by the MAFIPP team) – could also assess whether or not, and in case how, to adjust the outreach targets (i.e. the number of additional active users of traditional financial services and DFS) to more plausible (and sustainable) levels and/or possibly qualify them further (for example, number of clients in priority poor and/or rural districts, number of clients receiving financial education, etc.).

[205] The 'ambassador' approach to financial education delivery has for example been successful in some countries (such as Rwanda) under the YouthStart program; another UNCDF global program (see further http://www.uncdf.org/en/youthstart).

support the greater use of data (national FinScope findings and MFA/FINA data as well as internal FSP data) in developing strategies at the industry as well as the individual FSP level.

Fourth, in support of the original intention of FIF, the program (not only through the MAFIPP team, but more notably through the facilitation of UNCDF and possibly also DFAT) should make a ***concerted attempt towards bringing microfinance funding efforts under the same umbrella***, at least those connected to BoL (such as KfW's LAFF, currently with the Banking Supervision Division).[206] This would not only promote efficiency and ease the burden on the implementing agency, but also avoid fragmentation (bank and non-bank) and overlapping of instruments from an industry perspective (especially in a country as small as Lao PDR). The transfer of fund management skills onto BoL staff should be reinforced through the FIF technical team in order to further build the capacity of BoL to manage FIF (or similar funding mechanism) also beyond the scope of the MAFIPP program. Apart from direct FIF funding, the MAFIPP program should continue its efforts to ***crowd in and facilitate investments*** in FSPs from both regional and global investors. This 'service' could also be extended to DFS providers given the challenge of the large upfront investments involved.[207]

Finally, while recognizing the 'balancing act' in terms of supporting but not overstepping FISD/BoL as well as of seeking to promote rather than impose, more strategic efforts on part of UNCDF should be dedicated to ***soliciting higher level political support***. This is especially important with regard to the MAP roadmap and DFS, which both clearly go beyond the responsibilities and scope of FISD as well as BoL as a whole. The recently appointed UNCDF FIPA national program analyst in Lao PDR has been engaged to facilitate such efforts, but higher level interactions need to be sustained by the UNCDF regional office in Bangkok as well as the UNDP Resident Representative in Vientiane. Such interactions should also continue through the wider cooperation within the ASEAN region (namely the financial inclusion working group as well as, for DFS, the payments and settlements working group). The Lao PDR 2016 ASEAN chairmanship could provide opportunities for engagement in this regard. Finally, higher level engagement on part of UNCDF should seek support from DFAT and other donors working towards the same goals and sharing the same higher level issues.

[206] Although there is no formal mechanism for donor coordination within the financial access/inclusion area in Lao PDR, informal bilateral coordination activities carried out by the MAFIPP team could be reinforced by more formal, and higher level, initiatives on part UNCDF (and possibly also DFAT) towards bringing together (either on a bilateral or on a multilateral basis) donors working towards the same goals. Such initiatives would assist not only in the coordination of funding efforts at the micro (and meso) level, but also towards ensuring higher level political support for common issues at the macro level (see paragraph below).

[207] In the Consultant's opinion, given the novelty of DFS in the country, the MAFIPP program has adequately adopted an approach of 'sequenced handholding' (i.e. raising awareness of challenges and opportunities, market research, development of business plans, and pilot support) towards encouraging potential DFS providers to commit. However, since actual commitment entails large upfront investments, the providers (and the program) are now faced with the challenge of deploying or attracting the necessary resources.

8 Gender, Human Rights and Ethical Considerations

As outlined in the evaluation matrix attached in Annex 4, gender is considered an area of cross-cutting importance and the evaluation has sought to address the gender perspective in program design as well as implementation at all levels of the intervention (i.e. macro, meso, micro/market, and client level). For example, in analyzing FSPs' initiatives and performance (micro level), attention has been paid, where possible, to the extent to which the development of financial services and use of delivery channels consider the different needs, responsibilities ('division of labor') and opportunities/challenges (i.e. access and control of resources – including for example savings) on part of women in the areas of intervention (e.g. specific gender focus, gender disaggregated client data, satisfaction on part of female clients with regard to services provided and/or delivery channels used, etc.). At the macro and meso level, the evaluation tried to assess the extent to which undertaken efforts adequately integrate gender (e.g. gender dimension considered in policy research and formulation, monitoring and reporting systems, etc.). When collecting and analyzing data at the client level, the evaluation also looked at potential gender differences in the satisfaction with and use of financial services and delivery channels as well as self-perceived changes. The gender dimension has also been considered with regard to the engagement of women across program initiatives (number of women trained, etc.) as well as with regard to the format for data collection (i.e. the organization of all female FGDs with clients). Finally, the evaluation has made use of gender neutral (or gender balanced) language in both written and oral communications.

Lao PDR is a country with numerous ethnic groups, some of which are in minority and in a more disadvantaged or vulnerable position than others. Client data of the MicroLead FSPs is not disaggregated by ethnicity and it was not considered advisable for the evaluation team to solicit this type of information directly from the FGD participants during the interviews. Based on the locations of the branches/service units of the supported FSPs and discussions with the FSPs themselves, the evaluation has nevertheless sought to solicit information on whether or not final beneficiaries belong to more disadvantaged or vulnerable ethnic groups (albeit with little concrete value – see Section 6.6, EQ6.4, above). Furthermore, the evaluation has tried to determine the extent to which the MAFIPP program has considered disadvantaged/vulnerable ethnic groups in its initiatives as well as the awareness with regard to disadvantaged/vulnerable ethnic groups on part of program stakeholders at macro, meso and micro level (but again, considerations for ethnic groups have been rather limited).

The protection of clients is also addressed as an important cross-cutting issue. The evaluation has addressed, albeit relatively superficially, to what extent the program (indirectly) and the supported FSPs (directly) have sought to promote some key CPPs; namely appropriate product design (CPP1), avoiding over-indebtedness (CPP2), transparency (CPP3), and avoiding maltreatment (CPP5) or segregation of clients.

In general, the evaluation has strived to adhere to the principles as set out by the UN Evaluation Group (UNEG) "Code of Conduct for Evaluation in the UN System" and the "Evaluation Consultants Agreement Forms" (which were signed by all five evaluation team members and attached to the Inception Report). More specifically, all clients, FSP staff and other relevant stakeholders have been treated with respect and professionalism. The evaluation team commenced all meetings (interviews and FGDs) with informing the interviewees[208]/participants of the evaluation being an independent exercise as well as of them not being subject to an 'interrogation' (or test/ exam) and that their answers and feedback would be treated as

[208] Also within the same entity, where possible, the evaluation team has sought to meet with relevant stakeholders individually.

strictly confidential and not disclosed to any third party. Information and data (including specific quotes) have only been presented in an aggregated and/or anonymous manner in the report. Any data input and analysis files to be shared with the UNCDF Evaluation Unit will not include names of persons or specific entities. With regard to cultural aspects, the Lao PDR microfinance consultant informed the international evaluation team members of relevant national specificities (codes of conduct). Finally, during the course of the Inception Phase, the MAFIPP program team kindly guided the evaluation team in the most appropriate way to approach macro level stakeholders by assisting in the preparation of a formal introductory letter on part of BoL.

Annexes

Annex 1: MAFIPP Supported FSPs

Name of the institution	ACLEDA Bank Lao Ltd	Ekphatthana Microfinance Institution (EMI)	Xainyom Microfinance Institution (XMI)	Savings and Credit Union (SCU) Huamchai Phatthana (HP)	Savings and Credit Union (SCU) Luang Phrabang (LP)	Phatthana Oudomxay	Sasomsub
Legal form	Commercial bank	Deposit taking MFI	Non-deposit taking MFI	Savings and credit union	Savings and credit union	Non-deposit taking MFI	Non-deposit taking MFI
Year of establishment	2008	2006	2010***	2007	1998		2011
Areas of operation	Southern Lao PDR: Attapeu, Khammouane, and Savannakhet provinces*	Central Lao PDR: Vientiane capital, Vientiane and Xayabouly provinces	Northern Lao PDR: Bokeo, Luangnamtha, and Oudomxay provinces	Southern Lao PDR: Savannakhet province	Northern Lao PDR: Luangphrabang province	Northern Lao PDR: Oudomxay province	Central Lao PDR: Vientiane capital
MicroLead agreement	October 2012 - December 2015	October 2010 (revised February 2012) - December 2015****				n/a	n/a
Value of MicroLead grant	USD 350,000 **	USD 1.3 million					
Purpose of MicroLead funding	Establishment of five new rural service units and implementation of feasibility study on mobile banking services	Direct TA through CARD					
FIF agreement	n/a	Signed in 2015	Signed in 2015	n/a	n/a	Signed in 2015	Not yet signed
Value of awarded FIF grant / loan / direct TA		USD 89,026 (grant)	USD 375,000 (loan)			USD 40,880 (direct TA)	USD 36,225 (direct TA)
Purpose of FIF funding		Product development for and outreach support to the SmartKids initiative	External refinancing to increase borrower base at two newly established service units			Development of agricultural loan product and extension services	Expansion of outreach at new service unit through the adoption of the center methodology

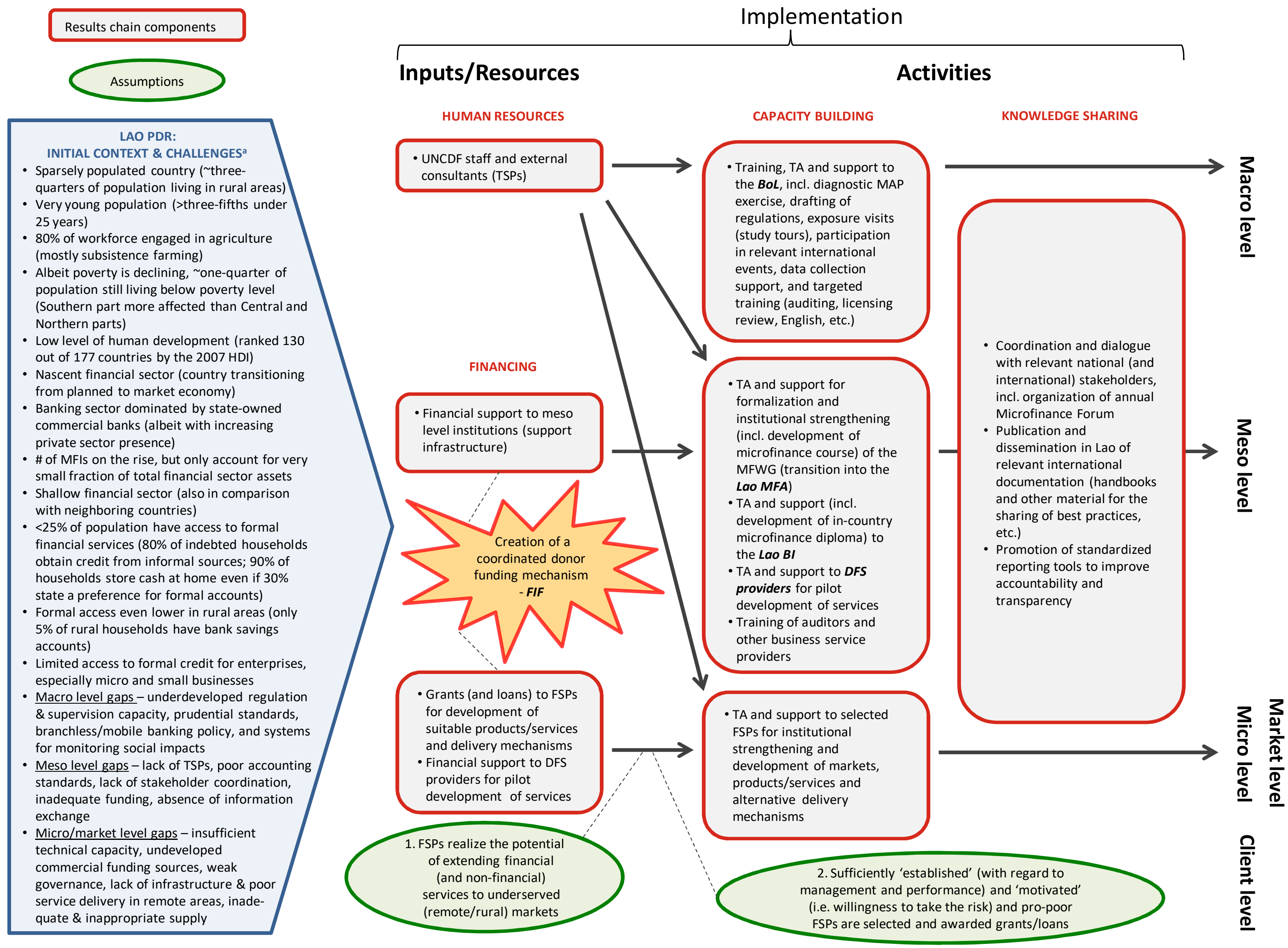
* ACLEDA's network covers the entire country, but outreach here only refers to the five service units established with MicroLead support.

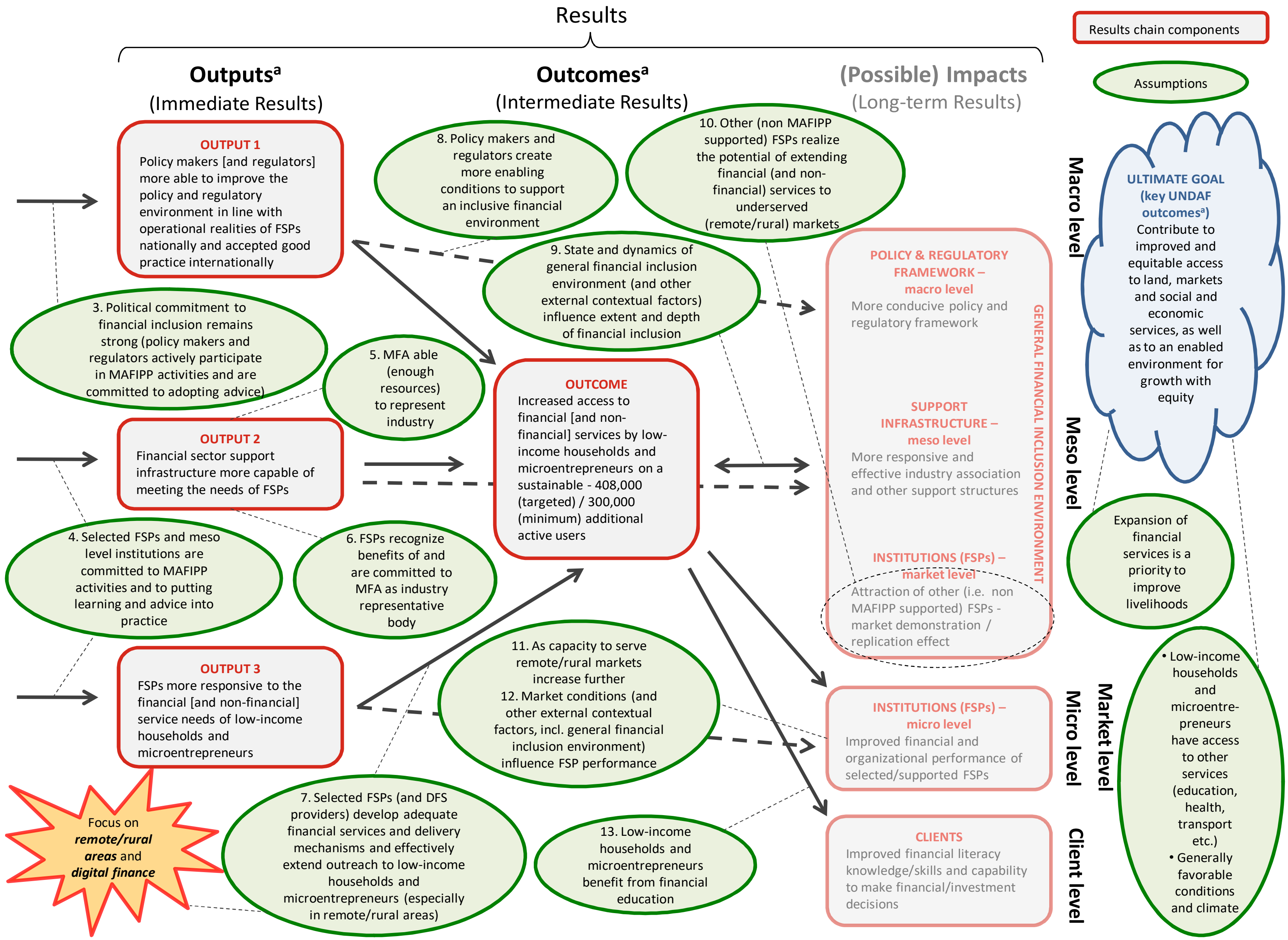
** The initial grant was for USD 400,000, but because of failure to reach targets (except for depositors), with borrower outreach stalling and deteriorating PAR30 in 2014, as well as due to insufficient quality of the feasibility study, USD 50,000 were deducted from the last tranche.

*** XMI existed as a microcredit initiative prior to 2010.

**** Individual TA agreements between CARD and the FSPs. Grant agreement with CARD signed in December 2010 (and revised in June 2012) and ended in December 2015.

Annex 2: MAFIPP Program Results Chain and Theory of Change Overview





Results
Results chain components
Assumptions
Outputs[a]
(Immediate Results)
Outcomes[a]
(Intermediate Results)
(Possible) Impacts
(Long-term Results)
OUTPUT 1
Policy makers [and regulators] more able to improve the policy and regulatory environment in line with operational realities of FSPs nationally and accepted good practice internationally
8. Policy makers and regulators create more enabling conditions to support an inclusive financial environment
10. Other (non MAFIPP supported) FSPs realize the potential of extending financial (and non-financial) services to underserved (remote/rural) markets
ULTIMATE GOAL (key UNDAF outcomes[a])
Contribute to improved and equitable access to land, markets and social and economic services, as well as to an enabled environment for growth with equity
Macro level
9. State and dynamics of general financial inclusion environment (and other external contextual factors) influence extent and depth of financial inclusion
POLICY & REGULATORY FRAMEWORK – macro level
More conducive policy and regulatory framework
3. Political commitment to financial inclusion remains strong (policy makers and regulators actively participate in MAFIPP activities and are committed to adopting advice)
5. MFA able (enough resources) to represent industry
OUTCOME
Increased access to financial [and non-financial] services by low-income households and microentrepreneurs on a sustainable - 408,000 (targeted) / 300,000 (minimum) additional active users
SUPPORT INFRASTRUCTURE – meso level
More responsive and effective industry association and other support structures
GENERAL FINANCIAL INCLUSION ENVIRONMENT
Meso level
OUTPUT 2
Financial sector support infrastructure more capable of meeting the needs of FSPs
Expansion of financial services is a priority to improve livelihoods
4. Selected FSPs and meso level institutions are committed to MAFIPP activities and to putting learning and advice into practice
6. FSPs recognize benefits of and are committed to MFA as industry representative body
INSTITUTIONS (FSPs) – market level
Attraction of other (i.e. non MAFIPP supported) FSPs - market demonstration / replication effect
• Low-income households and microentre-preneurs have access to other services (education, health, transport etc.)
• Generally favorable conditions and climate
OUTPUT 3
FSPs more responsive to the financial [and non-financial] service needs of low-income households and microentrepreneurs
11. As capacity to serve remote/rural markets increase further
12. Market conditions (and other external contextual factors, incl. general financial inclusion environment) influence FSP performance
INSTITUTIONS (FSPs) – micro level
Improved financial and organizational performance of selected/supported FSPs
Micro level
Market level
Focus on *remote/rural areas* and *digital finance*
7. Selected FSPs (and DFS providers) develop adequate financial services and delivery mechanisms and effectively extend outreach to low-income households and microentrepreneurs (especially in remote/rural areas)
13. Low-income households and microentrepreneurs benefit from financial education
CLIENTS
Improved financial literacy knowledge/skills and capability to make financial/investment decisions
Client level

Actors

NATIONAL POLICY & REGULATORY REGIME
- Bank of Lao PDR (BoL)
- Ministry of Finance (MoF)
- National Committee for Rural Development and Poverty Eradication (NCRDPE)
- Ministry of Agriculture and Forestry (MAF)
- Ministry of Industry and Commerce (MoIC)
- Ministry of Planning and Investment (MoPI)
- Relevant provincial government departments

Macro level

INTERNATIONAL STAKEHOLDERS
- UNCDF (and UNDP)
- Australian Department for Foreign Affairs and Trade (DFAT)
- Other relevant international donors and actors (incl. GIZ and/or KfW, IFC and/or World Bank, etc.)

Global level

INVESTORS
- Local and foreign investors (debt & equity)

OTHER RELEVANT ACTORS
- Business support service providers and business development initiatives
- Schools and vocational training institutions
- Relevant rural development community groups or civil society organizations (incl. gender/social networks, cultural associations, etc.)

FINANCIAL SECTOR SUPPORT INFRASTRUCTURE
- Microfinance Working Group (MFWG) / Lao PDR Microfinance Association (MFA)
- Lao PDR Banking Institute (BI)
- Auditors (or chartered accountants)
- Financial education and/or protection agencies/initiatives
- Other financial inclusion initiatives

Meso level

- DFS providers

INTERMEDIATE BENEFICIARIES
- Selected FSPs, incl. Lao Postal Savings Institute (LPSI)

Micro level

OTHER (INDIRECT) INTERMEDIARIES
- Other (non MAFIPP supported) FSPs

Market level

FINAL BENEFICIARIES
- Low-income households and microentrepreneurs

Client level

Annex 3: Implementation Progress by Outcome and Output Area

Program Indicators as defined by the Results Framework in the 2010 ProDoc and 2014 amendment; and with targets further detailed by the APRs.

Achieved	On track	Challenge	On hold / Off track

PI #	Definition	Targets (by end 2017)	Baseline (December 2010)	Achievement to date (December 2015)
Outcome				
PI0	# of low-income households and microentrepreneurs with access to financial services	408,000 (desired) / 300,000 (minimum) additional active users by 2017 Initially (until 2013): 140,000 additional active savings clients and a minimum of 70,000 additional active loan clients by end 2014	68,000 (incl. 19,000 borrowers)[209]	116,275
PI0a	# of low-income households and microentrepreneurs with access to financial services	208,000 additional active users (60% female) of 'traditional' financial services by 2017 *2015 milestone: 60,000 additional active users*		115,502
PI0b	# of low-income households and microentrepreneurs with access to financial services	200,000 users (35% female and 15% previously unbanked) of DFS by 2017	0	773
Output 1 (macro level)				
PI1.1	Number of FSPs licensed under microfinance regulation	60 by end 2017 Initially 40 by end 2014	28	82
PI1.2	Openness and responsiveness of the policy-setting bodies to environment issues and demands for the financial sector regarding financial inclusion	Moderate to highly responsive	Low	MAP process still underway
PI1.3	Demonstration of clear process to assess the need for a policy on branchless banking and a policy where the need is found to be compelling	Policy process completed and results are acted on	No process	3 pilot licenses 1 draft regulation
PI1.4	BoL exposed to lessons learnt and experiences shared by fellow central bankers in developing countries	Moderate to high	No indication of baseline	Numerous exposure visits Application for AFI membership
PI1.5	Availability of reliable sector-wide monitoring data	Comprehensive and highly reliable with a quick lead-time	Patchy and	On hold

[209] 2011 stock-take estimate of the number of clients of microfinance sector as a whole (i.e. registered MFIs and SCUs). The initial baseline estimate set out in the 2010 ProDoc amounted to 30,000 clients.

			incomplete	
Output 2 (meso level)				
PI2.1	FIF attracting additional funding with term extending beyond end of MAFIPP	Additional funding with term beyond 2017 (baseline not applicable)	n/a (FIF not yet established)	1 funder to date
PI2.2	Growth in the numbers of finance professionals sensitized to the down-scaling of financial services	2,500 banking and finance professionals receive training at BI with microfinance module of international standard + 700 trained on distance learning course Initially: 2,500 banking and finance professionals receive training at BI without a microfinance module + 40 trained on distance learning course OR BASELINE?		First 100 student of BI's Higher Diploma in Microfinance to graduate in 2017 24 MFMCC graduates
PI2.3	Numbers of FSPs disclosing audited financial statements on MiX Market or on their website to demonstrate their commitment to transparency	FSPs covering collectively 80% of the national low-income and microentrepreneurs market Initially: 80% of FSPs with more than LAK 80 million in outstanding loan portfolio	1[210]	69% of FSPs with assets >LAK 1 billion publicly disclosing their financial data
PI2.4	Growing numbers of FSPs contribute membership fees and senior management time to the MFWG [MFA]	FSPs covering collectively 80% of the national low-income and microentrepreneurs market	FSPs covering collectively 58% of the microfinance sector, excluding VRFs.[211]	73% of FSPs with assets >LAK 1 billion contributed financially
PI2.5	Extend rural financial inclusions through use of mobile financial services	10,000 in 2015; 150,000 in 2016; 250,000 in 2017	0	773
PI2.6	MFWG (now MFA) is recognized as a 'go-to' organization for policy makers, donors, investors and re-financing institutions.			MFA licensed association with 53 member MFIs and SCUs
Output 3 (micro level)				
PI3.1	FSPs receiving technical assistance offer diversified and more suitable financial services	80% of FSPs have added at least 1 product; 60% of FSPs use additional delivery channel	Very narrow range of products through a unique delivery channel	3 of 4 CARD grantees launched a total of 6 products 4 CARD grantees using center methodology
PI3.2	FSPs receiving technical assistance and support are recognized as market leaders as evidenced by the quality and growth of their portfolio outpacing the	Aggregated loan portfolio with PAR30<3% of supported FSPs grows 1.5 times more than the control group (microfinance sector less FIF grantees) each year (no indication of baseline)	n/a	Total gross loan portfolio 2014-2015 growth:

[210] ACLEDA.

[211] End 2011.

	microfinance sector	Initially: 70% of supported FSPs have more than 100% OSS and collectively hold 90% of market share		CARD grantees 16.2% Non-supported sector 9.1%
PI3.3	Consistent trend in improvements in the performance of FSP that have received support from FIF compared with others that have not (key measures to include portfolio at risk, cost per client, clients to staff ratio, operational self-sufficiency, and ratio refinancing to loans outstanding)	Annual trend constantly 1.5 times better than control group (microfinance sector less FIF grantees) for 4 indicators out of 5	n/a (FIF not yet established)	Not possible to adequately assess all five indicators: 2014-2015 trends generally negative, but CARD grantees generally performing better than non-supported sector
PI3.4	FSPs receiving support from FIF attract additional funding	USD 7 million	n/a (FIF not yet established)	Imminent minority investment of USD 660,000 in 1 FSPs
PI3.5	Extend rural financial inclusion through LPSI	40,000 savings clients with 350,000 funds transferred annually by 2017 Additional product(s) distributed	17,000 savings clients with 100,000 funds transferred annually no additional product[212]	On hold

Abbreviations and Acronyms

APRs	Annual Progress/Project Reports
BoL	Bank of the Lao PDR
FIF	Fund for Inclusive Finance
FSPs	Financial service providers
LPSI	Lao Postal Savings Institute
MAFIPP	Making Access to Finance more Inclusive for Poor People
MFA	Lao Microfinance Association
MFWG	Microfinance Working Group
PAR	Portfolio at risk

[212] End 2011

Annex 4: Evaluation Matrix

EQ1, EQ2, etc. are the primary questions for each evaluation area as defined by the five OECD/DAC evaluation criteria of relevance, efficiency, effectiveness (to date), (possible) impact, and (prospects for) sustainability[213] as well as for a cross-cutting area including the themes of gender, ethnic groups, youth and financial education & client protection (and environmental sustainability). EQ1.1, EQ1.2, etc. are sub-questions within each of the six main evaluation areas.

Where relevant, EQs are cross-referenced against components of the theory of change framework (with **results chain components in red** and **assumptions in green**). Furthermore, where relevant in the 'Judgement Criteria' column, cross-reference is made to the **program indicators (PIs - in blue)** as defined by the Results Framework in the amended ProDoc and as summarized in Annex 3.

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
1. RELEVANCE AND QUALITY OF DESIGN EQ1. How relevant and well designed is the program with regard to supporting the development of an inclusive finance sector in Lao PDR and promoting the financial inclusion of low-income households and micro-entrepreneurs?		
EQ1.1. How relevant is the program to the status of financial inclusion in Lao PDR?	• Sufficient consideration of national policy and legal/regulatory framework (national priorities) • Sufficient gap analysis carried out • Alignment between the program (objectives, logic of intervention, etc.) and national priorities concerning financial inclusion and/or rural development • Sufficient synergies with (or 'additionality' to) other similar actions (carried out by meso, macro and/or global level stakeholders)	• Review of national policy agenda, strategy documents, legal/regulatory regimes (financial inclusion policies, rural development strategies, telecommunications development strategies, branchless banking framework, etc.) prior to the start of the program (i.e. before 2010) • Review of ProDoc (and amendment) and other possible program design related documentation (incl. gap analysis) • Interviews with UNCDF/UNDP staff (incl. MAFIPP management and CTA) and other relevant international donors, programs, initiatives, etc. (stakeholders at global level) • Interviews with policy makers, regulators, etc. (stakeholders at macro level) • Interviews with relevant support structures (stakeholders at meso level)

[213] Since the evaluation is only a mid-term assessment and the program has yet to finish, it will focus primarily on the areas of relevance, efficiency and effectiveness (to date). The evaluation will also address (possible) impact and (prospects) for sustainability, but only very tentative assumptions with regard to these two evaluation areas are to be expected.

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
EQ1.2. How appropriate is program design?	• Appropriateness of UNCDF's sector development approach – focusing on concurrent macro, meso and micro level support – to the stage of development of Lao PDR's general financial inclusion environment • Likelihood that the internal design of the program and choice of instruments to be funded maximizes the achievement of increased financial inclusion in Lao PDR for the targeted groups (i.e., low-income households and microentrepreneurs) • Appropriateness of the governance, management, implementation and funding structures (incl. assessment of the use of NIM versus DIM) as designed with a view to the program achieving its broader objectives and in relation to the country context (national awareness) • Extent to which the program was designed with a view to benefit from integration with other UNCDF country programs and global thematic initiatives and appropriateness of such integration • Appropriateness of the ambition of MAFIPP (through FIF) to become a multidonor funding platform for financial inclusion in Lao PDR • Appropriateness of defined targets	• Review of national policy agenda, strategy documents, legal/regulatory regimes (financial inclusion policies, rural development strategies, etc.) prior to the start of the program (i.e. before 2010) • Review of ProDoc (and amendment) and other possible program design related documentation (incl. gap analysis) • Interviews with UNCDF/UNDP staff (incl. MAFIPP management and CTA as well as MicroLead and MM4P) and other relevant international donors, programs, initiatives, etc. (stakeholders at global level) • Interviews with policy makers, regulators, etc. (stakeholders at macro level) • Interviews with relevant support structures (stakeholders at meso level) • Interviews with FSPs

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
2. EFFICIENCY OF MANAGEMENT AND QUALITY OF ACTIVITIES EQ2. To what extent is the program managing to deliver on expected results?		
Use of funds (cost-effectiveness)		
EQ2.1. Are program funds used efficiently (cost-effectively)? **Inputs/Resources** in relation to **Results**	• Proportion of grants (or loans) to FSPs (and DFS providers), use and cost of staff versus external consultants for training and TA, cost of publications and organization of knowledge dissemination events, exposure visits /study tours and travel costs, etc. • Extent to which outputs/activities are delivered against original (budgeted) costs • 'Value for money' / 'Bang for the buck' ratios - people trained / cost of training; results achieved to date / total program cost (or total grant amount disbursed); etc.	• Review of program budget (and revisions) – planned and actual • Interview with MAFIPP management • Calculations of relevant 'value for money' / 'bang for the buck' ratios – delivered results / costs • Comparison, if available, with 'value for money' / 'bang for the buck' ratios of other similar UNCDF programs
Quality of management and oversight		
EQ2.2. To what extent are the management and governance mechanisms of the program functioning as intended? **Activities** (program management and monitoring) and **Assumptions 3 & 8** (with regard to NIM and management on behalf of BoL)	• Adequacy and completeness of AWPs (or similar planning documentation) • Timely program implementation and progress towards targets (extent to which outputs/activities are delivered on time) • Sufficient availability of funds for foreseen program implementation • Sufficient allocation (incl. adequate/transparent recruitment) of human resources (internal program staff and external consultants/TSPs) for foreseen program implementation • Adequacy and efficiency of the PBA system, incl. adequate performance indicators, provisions for 'exit strategies' (i.e. what happens at the end of MAFIPP support? - sustainability), etc. • Good quality supervision of supported FSP (or DFS) investments on part of MAFIPP management and staff • Good quality supervision of external consultants/TSPs providing training, TA, or knowledge sharing activities providers on part of MAFIPP management and staff	• Review of timeframe of program implementation and related deliverables (MAFIPP Results Framework) • Review of relevant program and planning documents (ProDoc – including budget and funding sources, AWPs) • Review of PBAs • Review of documentation relevant to the disbursement of funds to selected FSPs • Review of MAFIPP monitoring instruments and reports • Review of reports submitted by external consultants/TSPs • Review of APRs and QPRs • Review of relevant internal UNCDF structures and processes (PMC minutes, IC minutes, etc.)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
EQ2.2., continued.	• Program monitoring focused not only on activities and outputs, but also on outcomes (and possibly impact) and on how to measure change (availability of baseline assessment) • Program monitoring mechanisms allow for regular collection of sufficient data to effectively support the management and decision-making process of the program • Timely reporting, on part of MAFIPP management to relevant program parties (incl. DFAT), of program implementation and progress towards targets • Effective internal UNCDF structures and processes (incl. quality coordination and HQ support mechanisms) • Presence and role of internal UNCDF M&E unit and/or joint advisory committee with external funder(s) • Regular review of program implementation and progress towards targets on part of relevant program parties (incl. DFAT) • Ability of program to respond to opportunities and adapt to changing circumstances during implementation (incl. how well and quickly issues were foreseen) • Extent to which key national partners/stakeholders are involved in managing program instruments and setting in place improved oversight mechanisms for the financial sector in the future (sustainability) • Ability of program to ensure broad engagement with stakeholders during implementation (incl. creating synergies with other initiatives)	• Review of feedback mechanisms on progress and monitoring reports on part of both internal and joint structures • Interview with MAFIPP management • Interviews with other relevant UNCDF staff (incl. CTA) • Interview(s) with DFAT (and other funders) • Interviews with key national partners/stakeholders (at macro and meso level)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
FIF design and process		
EQ2.3. How appropriate and efficient is the grant (or loan) design and process under the FIF? **Inputs/Resources** and **Activities** (FIF management) and **Assumptions 1, 2 & 10**	• Efficiency, quality and transparency of the RFA system and grant (or loan) award process under the FIF (incl. prerequisites for participation and selection criteria [incl. criteria for awarding grant vs. loan], timely disbursement of funds, etc.) • Matching of actual needs of FSPs (or DFS provider) regarding (remote/rural) financial inclusion with eligible purposes (market research, marketing, etc.) and respective allocations of grants (or loans) • # of FSPs (or DFS providers) that would have needed additional funds to adequately implement anticipated actions • # and amount of grants or funding available from other donor initiatives or investors targeting the provision of financial services to low-income households and microentrepreneurs in remote/rural areas	• Review of relevant FIF documentation (set-up, composition, management, etc.) • Review of documentation relevant to the grant (loan) award process (incl. prerequisites for participation, selection criteria, template applications forms, FSP/DFS provider proposals, IC meeting minutes, communication of award decision, etc.) • Interviews with MAFIPP management (incl. FIF manager) • Interview(s) with DFAT (and other funders) • Interview with MFA • Interviews with FSPs and DFS providers
Quality of service delivery		
EQ2.4. What is the relevance and quality of the activities (training/TA, knowledge sharing, etc.) provided by the program to relevant stakeholders? **Activities** (capacity building and knowledge sharing)	• Training/TA (or knowledge sharing) needs identified through initial needs assessment (gap analysis) • #, content, quality and timeliness of training/TA (or knowledge sharing products or events) provided relevant to (remote/rural) financial inclusion and meeting the needs of FSPs and other stakeholders (incl. foreseen capacity building strategies, delivery channels used, etc.) • Adequate selection of experienced and relevant external consultants/TSPs for the delivery of training/TA (or knowledge sharing) activities • Appreciation on part of training/TA (or knowledge sharing) participants with regard to activities provided • Extent to which the program is effectively supporting the introduction and promotion of new financial products/services • Extent to which the program is effectively supporting the introduction and promotion of alternative delivery channels (i.e. DFS, agent banking, etc.)	• Review of training/TA (or knowledge sharing) related material (identification of activities, content of implemented activities or events – including programs for exposure visits / study tours, publications, etc.) • Review of FSPs' proposals • Review of criteria/process for the selection of training/TA (or knowledge sharing) providers • Review of reports submitted by training/TA (or knowledge sharing) providers (incl. internal evaluations if available) • Review of feedback forms, where available, from training/TA (or knowledge sharing) participants • Interviews with MAFIPP management and staff • Interviews with external consultants / TSPs • Interviews with training/TA (or knowledge sharing) participants (FSP staff and other stakeholders, including BoL, BI and MFA staff)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
3. EFFECTIVENESS TO DATE EQ3. To what extent is the program supporting an increase in (i) capacity of partner institutions at the micro, meso and macro levels (output delivery) and (ii) outreach (outcome achievement)?		
Output delivery (micro level)		
EQ3.1. To what extent are supported FSPs (and DFS providers) making use of program activities and deliverables to promote the financial inclusion of low-income households and microentrepreneurs in Lao PDR? Somewhat overlapping with EQ4.2 (Possible impact – FSP performance) **Output 3** and **Assumptions 1 & 4**	• # of PBA performance indicators satisfied (or reasons for non-fulfillment) • Improved institutional and management capacity of selected FSPs (incl. # of FSP staff participated in training/TA activities [incl. 'indirectly' through MFA's MFMCC or BI's Microfinance Higher Diploma], designated 'champions' for outreach in remote areas, # of market research carried out, changes in product strategy [incl. range of new products], changes in marketing strategy, changes in product characteristics and delivery channels, etc.) **PI2.2**, **PI3.1** • Supply of good quality and affordable financial (and non-financial) services, including use of alternative delivery channels (DFSs, agent banking) to low-income households and microentrepreneurs (# and type of services introduced and scaled up, # and type of delivery channels used, degree of satisfaction on part of clients with regard to both services and delivery channels, etc.) **PI3.1** • Extent to which FSPs' (and DFS providers') perceptions of financial (and non-financial) services for target clients (especially women) are beginning to change as a result of MAFIPP initiatives (incl. changes in declared strategy, staff attitude as declared in code of conduct, actual staff behavior/commitment towards serving target clients in remote areas, etc.) • Extent to which the perceptions of MAFIPP clients (specifically low-income households and microentrepreneurs) have changed over time with regard to the perceived availability of financial (and non-financial services) as a result of program supported initiatives	• Review of relevant FSP (and DFS provider) documentation: applications for FIF grants (or loans), current and past (before MAFIPP) business plans, market research reports (if any), credit policies, products characteristics, codes of conduct, organizational charts, mission, vision, financial education curricula, client feedback forms/client satisfaction surveys, etc. • Review of PBAs • Review of annual and/or quarterly reports from supported FSPs (and DFS providers) • Interviews with MAFIPP management and staff • Interview with MFA • Interviews with FSPs (and DFS providers) • FGDs with 'MAFIPP clients'

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Output delivery (meso level)		
EQ3.2. To what extent is the program promoting increased capacity within supported meso level entities assisting 'pro-poor' FSPs? Somewhat overlapping with EQ4.1 (Possible impact – Broader financial inclusion environment) **Output 2** and **Assumptions 4, 5 & 6**	• # of MFA, BI and other meso level staff trained under the MAFIPP program • #, type and quality of meso level activities/support provided to 'pro-poor' FSPs (incl. FSP appreciation of provided activities/support) • Increased awareness and appreciation on part of MFA, BI and other meso level stakeholders with regard to the creation of an enabling environment for financial inclusion **PI2.6** • # of financial professionals enrolled in / graduated from MFA's MFMCC or BI's Microfinance Higher Diploma **PI2.2**	• Review of relevant program documents (incl. APRs and QPRs) • Review of MFA related documentation (incl. internal structure and processes, activities/support provided, MFMCC curricula, participants' feedback forms, etc.) • Review of relevant BI documentation (incl. curricula for the Microfinance Higher Diploma, participants' feedback forms, etc.) • Interview with MAFIPP management • Interview(s) with DFAT (and other funders or relevant donors) • Interviews with MFA and BI (incl. those in charge of Microfinance Higher Diploma and MFMCC) and other supported meso level entities • Interviews with FSPs (incl. other, non-MAFIPP supported, FSPs) • (Possible FGDs with graduates of MFA's MFMCC and/or professionals having completed, or enrolled in, BI's Microfinance Higher Diploma program)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Output delivery (macro level)		
EQ3.3. To what extent is the program effectively supporting increased capacity of the BoL and other supported macro level entities concerned with financial inclusion? Somewhat overlapping with EQ4.1 (Possible impact – Broader financial inclusion environment) **Output 1** and **Assumption 3**	• # of BoL and other macro level staff trained (or participating in exposure visits /study tours) under the MAFIPP program • #, content and quality of macro level deliverables (incl. relevant regulation) and initiatives and channels used for dissemination (incl. appreciation on part of relevant stakeholders of deliverables and initiatives) • Increased awareness and appreciation on part of policy makers and regulators with regard to the creation of an enabling environment for financial inclusion • Extent to which relevant stakeholders are exposed to international good practice standards (incl. client protection) with considerations for already existing local practices and local circumstances **PI1.4** • Promotion of dialogue with relevant industry stakeholder (# and type of stakeholder events, # and type of participants, shared agenda, mutual recognition, synergetic efforts) and use of feedback into policy formulation • **PI1.5**	• Review of relevant program documents (incl. APRs and QPRs) • Review of BoL (or other macro level) policy briefs, case studies and other relevant documentation (incl. internal structure and processes) • Review of MAP diagnostic process and deliverable • Review of program for and feedback from peer reviews and/or other stakeholder forums (incl. the annual Microfinance Forum) • Interview with MAFIPP management • Interview(s) with DFAT (and other funders or relevant donors) • Interviews with BoL and other supported macro level entities • Interview with MFA • Interviews with FSPs (incl. other, non-MAFIPP supported, FSPs)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Outcome achievement		
EQ3.4. To what extent is the program on track towards extending outreach of financial (and non-financial) services to target beneficiaries (i.e. low-income households and microentrepreneurs)? **Outcome** and **Assumption 7**	• # of licensed FSPs under relevant microfinance regulation **PI1.1** • Subject to data availability – presence on part of supported FSPs in areas with historically low penetration of financial services • # of licensed DFS providers • # and growth rate (trend) of additional savings clients (disaggregated by gender, rural/urban, age, etc.) **PI0**, **PI0.1**, **PI3.5** • # and growth rate (trend) of additional of credit clients (disaggregated by gender, rural/urban, age, etc.) **PI0**, **PI0.1** • # and growth rate (trend) of additional of clients benefitting from financial education (disaggregated by gender, rural/urban, age, etc.) • # and growth rate (trend) of additional clients accessing DFS (incl., subject to [reliable] data availability, measurement of previously unbanked users of DFS) **PI0.2**, **PI2.5** • Evolution of outreach in depth (average loan size for target clients / GDP per capita) and comparison with non-target clients of the FSP • Subject to (reliable) data availability - performance over time of relevant client survey results or social indicators used by the supported FSPs to track outreach of services to target beneficiaries (penetration rates with regard to low-income households and microentrepreneurs) • Subject to (reliable) data availability - difference between actual trend of number of target clients of beneficiary FSP since the start of the MAFIPP program and (i) 'extrapolated' trend based on target client outreach of beneficiary FSP and/or (ii) general financial inclusion trend in the country or among other FSPs (i.e. non-MAFIPP beneficiary) prior to (and during) the MAFIPP program	• Review of relevant program documents (incl. APRs and QPRs) • Review of MAFIPP program baseline data • Review of MAP (incl. FinScope) data • Review of FSPs' MIS data • Review of other relevant FSP documentation (social performance reports, market penetration reports, client survey results, etc.) • Subject to (reliable) data availability, 'extrapolation' of target client trend prior to the MAFIPP program for comparison to actual trend since the start of the MAFIPP program (in order to possibly support a 'counterfactual' assessment of outreach to low-income households and microentrepreneurs on part of MAFIPP supported FSPs)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
4. POSSIBLE IMPACT[214] EQ4. To what extent is the program on track towards supporting possible (long-term) changes with regard to the broader financial inclusion environment (macro, meso and market level) and the performance of supported FSPs (micro level) as well as for final beneficiaries (client level)?		
Broader financial inclusion environment (macro, meso and market level)		
EQ4.1. In a broader sense, what is the program's possible contribution to a more effective inclusive financial environment overall? Somewhat overlapping with EQ3.2, and EQ3.3 (Effectiveness - Output delivery) **(Possible) Impact** (macro, meso, market level) and **Assumptions 8 & 10**	• Evidence of program supported improvements in the policy and regulatory framework towards making it more responsive to the realities of the domestic market and attentive to international best practices (changes in policy, changes in legal/regulatory framework, etc.) – macro level **PI1.2**, **PI1.3** • Evidence of program supported meso level entities increasingly meeting the needs of FSPs (effective advocacy mechanisms, change in type and/or quality of activities/support provided, etc.) – meso level • Extent to which data and information made available through the program are used by relevant stakeholders • Likelihood of a market demonstration/replication effect among other (i.e. non-MAFIPP beneficiary) FSPs with regard to the provision of financial (and non-financial) services to low-income households and microentrepreneurs (increased awareness and appreciation on part of other FSPs with regard to financial inclusion of poorer clients / smaller enterprises, # of 'imitator'/competitor FSPs expanding or seeking to expand outreach to poorer clients / smaller enterprises by launching similar services and/or using similar delivery channels, etc.) – market level • **PI2.3**	• Review of relevant program documents (incl. APRs and QPRs) • Review of the state (i.e. at start of the MAFIPP program) and dynamics (i.e. since the start of the MAFIPP program) of national policy agenda, strategy documents, legal/regulatory regimes (financial inclusion policies, rural development strategies, etc.) • Review of relevant BoL documentation • Review of relevant MFA documentation • Review of relevant BI documentation • Subject to (reliable) data availability – review of BoL (and/or MFA) sector wide performance data • Interview with MAFIPP management • Interview(s) with DFAT (and other funders or relevant donors) • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs (incl. other, non-MAFIPP supported, FSPs)
FSP performance (micro level)		

[214] NB: When feasible (i.e. where program support has already reached a certain level of 'maturity'), the evaluation will seek to conclude on (possible) impact. However, since the program has yet to finish, in some cases (i.e. with regard to certain, more recent, program initiatives or efforts) only tentative assumptions are to be expected.

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
EQ4.2. To what extent is the program possibly contributing to improved performance on part of supported FSPs? Somewhat overlapping with EQ3.1 (Effectiveness - Output delivery) **(Possible) Impact** (micro level) and **Assumption 11**	• Program supported FSPs developing a value proposition in serving low-income households and microentrepreneurs sustainably with adequate products/services – micro level: - Subject to (reliable) data availability – extent to which loan portfolio growth (with acceptable quality) of supported FSPs outpaces loan portfolio growth of other (non-MAFIPP supported) FSPs **PI3.2** - Subject to (reliable) data availability – improved and acceptable overall market share (microfinance loan portfolio) of supported FSPs **PI3.2** - Subject to (reliable) data availability – improved profitability/sustainability ratios compared to other (non-MAFIPP supported) FSPs **PI3.3**	• Subject to (reliable) data availability – review of BoL (and/or MFA) sector wide performance data • Review of annual and/or quarterly reports from supported FSPs • Review of FSPs' MIS data • Interview with MAFIPP management • Interviews with FSPs (incl. other, non-MAFIPP supported, FSPs)
Final beneficiaries (client level)		
EQ4.3. What use is being made, and to what effect, of the new financial (and non-financial) services (or delivery mechanisms) provided to low-income households and microentrepreneurs? **(Possible) Impact** (client level) and **Assumption 13**	• Variation in types of clients that are being reached through supported FSPs (defined by gender, urban/rural location, age, income level, sector of activity, etc.) • Variation (or not) in the use of provided financial services (savings vs. credit, consumption vs. investment, etc.) • Degree of client satisfaction with financial (and non-financial) services (and delivery mechanisms) and the supported FSPs • Self-perceived change (or not) in financial behavior • Self-perceived change (or not) in clients' situations/lives as a direct result of accessing products/services (or delivery mechanisms) of the supported FSPs	• Review of MAFIPP program baseline data • Review of annual and/or quarterly reports from supported FSPs • Review of FSPs' MIS data • Review of internal (i.e. within the supported FSPs) client satisfaction surveys and/or feedback from client focus groups • Interview with MAFIPP management • Interviews with FSPs • FGDs (and brief interviews) with 'MAFIPP clients'

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
5. PROSPECTS FOR SUSTAINABILITY[215] EQ5. What are the prospects for program results to be sustainable at the micro level (i.e. supported FSPs) as well as at the macro and meso level?		
Prospects for sustainability at micro level		
EQ5.1. To what extent are changes in the capacity of supported FSPs (DFS providers) likely to continue once the program comes to an end?	• Demonstrated commitment to serve low-income households and microentrepreneurs on part of board and management (incl. plans to continue or scale-up new services, or delivery channels, at the end of the MAFIPP program) • Sufficient availability of funds to support financial inclusion measures / remote service delivery (financial projections, access to further source of funds/TA beyond MAFIPP/UNCDF thanks to the participation in the MAFIPP program, etc.) **PI3.4** • Sufficient allocation of (qualified) human resources to effectively serve targeted clientele • Presence within the MAFIPP program (proposed business plans) of an 'exit strategy' • Subject to (reliable) data availability -extent to which the program has contributed to increased operational and financial performance and therefore sustainability of supported FSPs: analysis (and comparison with other, non-MAFIPP supported, FSPs where sector wide comparison data is available) of trends, prior to and during the MAFIPP program, of supported FSPs in terms of overall OSS, PAR30, cost per client, client to staff ratio, clients/portfolio per loan officer, ratio of restructured/rescheduled/refinanced loans to total outstanding portfolio, outreach [with regard to # of new borrowers and savers and respective outstanding savings and loan amounts], client retention rate/drop-out rate, etc.) **PI3.3** • Acquisition of additional funding on part of supported FSPs with terms extending beyond the end of MAFIPP support **PI2.1**, **PI3.4** • Diversification of funding structures (incl. deposits and equity) on part of supported FSPs • Extent to which DFSs have a future beyond program (overcoming market challenges, considerations for own investment, etc.)	• Subject to (reliable) data availability – review of BoL (and/or MFA) sector wide performance data • Review of annual and/or quarterly reports from supported FSPs (incl. audited financial statements if available) • Review of FSPs' MIS data • Review of FSPs' business plans and projections for MAFIPP supported services (and delivery channels) • Analysis of FSP profitability, efficiency and sustainability • Analysis of FSP portfolio quality (non-performing loans and restructured/rescheduled/refinanced loans) • Subject to (reliable) data availability - comparison of global sustainability/performance (profitability, efficiency, and portfolio quality) of supported FSPs compared to other, non-MAFIPP supported, FSPs • Interview with MAFIPP management • Interviews with FSPs

[215] NB: When feasible (i.e. where program support has already reached a certain level of 'maturity'), the evaluation will seek to conclude on (prospects for) sustainability. However, since the program has yet to finish, in some cases (i.e. with regard to certain, more recent, program initiatives or efforts) only tentative assumptions are to be expected.

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Prospects for sustainability at macro and meso levels		
EQ5.2. To what extent are changes in the capacity of supported macro and meso level entities likely to be sustained once the program comes to an end?	• No signs of policy reversals or backtracking on gained improvements in the legal/regulatory framework • Plans (intentions) for continued operations once the program comes to an end • Sufficient capacity with regard to both financial and (qualified) human resources and commitment on part of policy makers and regulators (macro level) and support structures (meso level) to maintain support towards financial inclusion • Presence within the MAFIPP program of an 'exit strategy' for supported macro and meso level entities • **PI2.1**, **PI2.4**	• Review of relevant program documents (incl. APRs and QPRs) • Review of past (i.e. at start of the MAFIPP program) and current (i.e. since the start of the MAFIPP program) national policy agenda, strategy documents, legal/regulatory regimes (financial inclusion policies, rural development strategies, etc.) • Review of relevant BoL documentation • Review of relevant MFA documentation • Review of relevant BI documentation • Interview with MAFIPP management • Interview(s) with DFAT (and other funders or relevant donors) • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders
Contextual factors		
EQ5.3. What main contextual factors possibly influence the achievement of program results **Assumptions 9 & 11** (and how can they best be managed? – recommendation)	• Macroeconomic, institutional and/or organizational factors not foreseen at the time of program design that are influencing (or could influence) the program's impact pathway	• Review of relevant country documentation (macroeconomic analysis, etc.) • Interview with MAFIPP management • Interview(s) with DFAT (and other funders or relevant donors) • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs (incl. other, non-MAFIPP supported, FSPs)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
6. CROSS-CUTTING THEMES EQ6. How well are cross-cutting issues of gender, ethnic groups, youth and financial education & client protection (and environmental sustainability) integrated into program design and/or implementation?		
Gender		
EQ6.1. How well was gender integrated into program design?	• Preparatory gender analysis conducted with regard to different needs, responsibilities ('division of labor') and opportunities/challenges (i.e. access and control of resources and program benefits) on part of women in the areas of program intervention • Program design supports approaches sensitive to the different needs, responsibilities and opportunities/challenges on part of women • Definition of gender specific results targets (and monitoring indicators) • Extent to which program design, in general, aligns with the UNCDF's mainstreaming strategy on gender and, if available, gender related national goals	• Review of UNCDF/UN guidelines • Review of ProDoc (and amendment) and other possible program design related documentation • Interviews with UNCDF/UNDP staff (incl. MAFIPP management and CTA)

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
EQ6.2. To what extent is the program able to provide equal participation and benefits for women and men / girls and boys? Somewhat overlapping with EQ6.3	• Extent to which client profiles for the different financial (and non-financial) services offered through the support of the MAFIPP program show equal participation of and benefits for women/girls and men/boys (FSPs have received quality training/TA with regard to the importance of and how to address gender in product/service design and delivery, systematic gender disaggregated data collection and reporting on part of supported FSPs, design of products/services and delivery channels take into account the different needs, responsibilities and opportunities/challenges of women/girls vs. men/boys, # and trend of female clients, satisfaction on part of women/girls regarding services offered and delivery channels used, etc.) • Satisfaction on part of women/girls regarding services offered services offered and delivery channels used • Gender sensitive strategies developed or steps taken on part of supported FSPs in order to address the specific needs, responsibilities and opportunities/challenges of female clients • Policy makers and regulators have received quality training/TA with regard to the importance gender analysis and mainstreaming • Extent to which the program's policy, advocacy and knowledge outputs are produced on the basis of gender disaggregated evidence and recommendations • Extent to which MAFIPP supported macro and meso level entities have successfully integrated a systematic gender dimension in their respective monitoring and reporting systems (incl. gender specific results targets and monitoring indicators) • # (and position) of female TA/training participants and/or supported female staff (at macro, meso and micro/market level) • Extent to which program resources are strategically allocated to achieve gender related objectives • Extent to which gender related results, if any, are likely to be sustainable	• Review program's policy, advocacy and knowledge outputs • Review of training/TA (or knowledge sharing) related material received by policy makers and regulators • Review of training/TA (or knowledge sharing) related material received by FSPs • Review of FSPs' MIS data • Review of internal program reporting documentation • Review of relevant BoL documentation • Review of relevant MFA documentation (incl. curricula for MFMCC) • Review of relevant BI documentation (incl. curricula for Microfinance Higher Diploma) • Interview with MAFIPP management • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs • FGDs (and brief interviews) with 'MAFIPP clients'

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
EQ6.3. To what extent is the program successful in supporting increased participation of women in economic activities? Somewhat overlapping with EQ6.2	• Variation (or not) in the use, and to what effect, of financial services offered by women/girls in comparison to men/boys (consumption, investment, education, etc.) • Program measures assist the enablement of women (female clients) to access and control savings, resources (incl. credit and digital technology) and other program benefits (possible linkages with business development services for female clients) • Satisfaction on part of women/girls regarding services offered and delivery channels used	• Review program's policy, advocacy and knowledge outputs • Review of training/TA (or knowledge sharing) related material received by policy makers and regulators • Review of training/TA (or knowledge sharing) related material received by FSPs • Review of FSPs' MIS data • Review of internal program reporting documentation • Review of relevant BoL documentation • Review of relevant MFA documentation (incl. curricula for MFMCC) • Review of relevant BI documentation (incl. curricula for Microfinance Higher Diploma) • Interview with MAFIPP management • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs • FGDs (and brief interviews) with 'MAFIPP clients'

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Ethnic groups		
EQ6.4. To what extent are considerations for ethnic groups integrated into the program?	• # of branches/service units of supported FSPs located in areas with strong presence of disadvantaged/vulnerable ethnic groups • Possible considerations (or provisions) for disadvantaged/vulnerable ethnic groups in MAFIPP program activities and initiatives and related outputs (incl. the FinScope study and MAP diagnostic) • Awareness on part of macro level stakeholders with regard to disadvantaged/vulnerable ethnic groups (possible considerations for disadvantaged/vulnerable ethnic groups at knowledge sharing events and/or in the policy and regulatory framework) • Awareness on part of meso level stakeholders with regard to disadvantaged/vulnerable ethnic groups (possible considerations for disadvantaged/vulnerable ethnic groups in training curricula and other support activities) • Awareness on part of supported FSPs with regard to disadvantaged/vulnerable ethnic groups (possible strategies developed or steps taken in order to specifically address disadvantaged/vulnerable ethnic groups)	• Review program's policy, advocacy and knowledge outputs • Review of training/TA (or knowledge sharing) related material received by policy makers and regulators • Review of training/TA (or knowledge sharing) related material received by FSPs • Review of internal program reporting documentation • Review of relevant BoL documentation • Review of relevant MFA documentation (incl. curricula for MFMCC) • Review of relevant BI documentation (incl. curricula for Microfinance Higher Diploma) • Interview with MAFIPP management • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Youth[216]		
EQ6.5. To what extent are considerations for youth integrated into the program?	• # of youth clients • Satisfaction on part of youth regarding services offered services offered and delivery channels used • Youth related initiatives or actions take on part of MAFIPP program team (possible youth awareness raising events, monitoring of youth clients, etc.) • Youth awareness on part of macro level stakeholders (possible considerations for youth at knowledge sharing events and/or in the policy and regulatory framework - focus on financial education in schools, possibility of underage youth to open and use savings accounts, etc.) • Youth awareness on part of meso level stakeholders (possible considerations for youth in training curricula, etc.) • Youth awareness on part of supported FSPs (possible strategies developed or steps taken in order to specifically address youth)	• Review program's policy, advocacy and knowledge outputs • Review of training/TA (or knowledge sharing) related material received by policy makers and regulators • Review of training/TA (or knowledge sharing) related material received by FSPs • Review of FSPs' MIS data • Review of internal program reporting documentation • Review of relevant BoL documentation • Review of relevant MFA documentation (incl. curricula for MFMCC) • Review of relevant BI documentation (incl. curricula for Microfinance Higher Diploma) • Interview with MAFIPP management • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs • FGDs with 'MAFIPP clients' • FGDs with 'MAFIPP clients'

[216] While the official definition of youth in the UN system is 15-24 years (and the UNCDF YouthStart program has adopted a somewhat revised definition, i.e. 12-24 years), youth in the Lao context (there is no universally applied national definition) can be considered to include individuals in the 15-30 year age range (as applied by the Lao People's Revolutionary Youth Union, the largest youth organization in the country). For the purpose of the evaluation, the Consultant will consider youth in a broad sense, i.e. taking into account both 'younger' (including primary school children) and 'older' (i.e. up to the age of 30) youth.

Evaluation Questions (EQ) and Sub-Questions	Judgement Criteria	Means and Sources of Verification
Financial education & client protection		
EQ6.6. To what extent are financial education and client protection integrated into the program?	• Extent to which program design pays due attention to the principles of adequate financial education and client protection • Initiatives or actions taken on part of the MAFIPP program team related to financial education and client protection (possible client protection awareness raising events, etc.) • Recognition of importance of financial education and client protection in the policy and regulatory framework – macro level • Support on financial education and client protection activities offered by meso level entities (existence of industry wide code of conduct, training module(s) specifically addressing financial education and client protection, etc.) • Supported FSPs sufficiently engaged in financial education and client protection – micro level: – # of FSPs providing adequate financial education or financial literacy training to clients – # of FSPs having officially endorsed the Smart Campaign's CPPs – # of FSPs showing increased awareness of client protection practices	• Review of ProDoc (and amendment) and other possible program design related documentation • Review of internal program reporting documentation • Review of relevant MFA documentation (incl. curricula for MFMCC) • Review of relevant BI documentation (incl. curricula for Microfinance Higher Diploma) • Review of FSP business plans • Review of FSP manuals, policies and procedures • Review of Smart Campaign CPP endorsement documents • Interviews with UNCDF/UNDP staff (incl. MAFIPP management and CTA) • Interview(s) with DFAT (and other funders or relevant donors) • Interviews with BoL and other macro level stakeholders • Interviews with MFA, BI and other meso level stakeholders • Interviews with FSPs • (FGDs with 'MAFIPP clients')
Environmental sustainability		
EQ6.7. How well was environmental sustainability addressed in program design?	• Extent to which the program design respects UN standards on environmental sustainability	• Review of UNCDF/UN guidelines • Review of ProDoc (and amendment) and other possible program design related documentation • Interviews with UNCDF/UNDP staff (incl. MAFIPP management and CTA)

Abbreviations and Acronyms

APR	Annual Progress/Project Report
AWP	Annual Work Plan
BI	Lao PDR Banking Institute
BoL	Bank of the Lao PDR
CPPs	Client protection principles
CTA	Country Technical Advisor
DAC	Development Assistance Committee
DFAT	Australian Department for Foreign Affairs and Trade (DFAT)
DFS	Digital financial service
DIM	Direct implementation modality
FGD	Focus group discussion
FIF	Fund for Inclusive Finance
FSPs	Financial service providers
GDP	Gross domestic product
IC	Investment Committee
M&E	Monitoring and evaluation
MAFIPP	Making Access to Finance more Inclusive for Poor People
MAP	Making Access to finance Possible
MFA	Lao Microfinance Association
MFMCC	Microfinance Master Certificate Course
MM4P	Mobile Money for the Poor
NIM	National implementation modality
OECD	Organization for Economic Cooperation and Development
OSS	Operational self-sufficiency
PBA	Performance based agreement
PI	Program indicator (see table below)
PMC	Program Management Committee
ProDoc	Program document
QPR	Quarterly progress report
RFA	Request for applications
TA	Technical assistance
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program

Annex 5: Data Collection Process and Toolkit

The data collection toolkit represents a comprehensive set of instruments and guidelines that supported the evaluation team in the collection (and analysis) of data and information. Relevant parts of the tools were cross-referenced against the EQs (**in green**) of the evaluation matrix (see Annex 4) as well as the level of analysis (macro, meso, market, micro, client – as specified in the theory of change framework in Annex 2) in order to easily identify the main purpose of the requested information. The various parts of the toolkit are presented in sub-sections A through D below.

A. Documentation Review

The evaluation was based on a desk review of MAFIPP program and other related and relevant documentation, including:

- Lao PDR country papers related to financial inclusion, poverty analysis, socioeconomic and political context, rural development, etc.;
- Financial sector data/information available from national and international entities and initiatives (FinScope study and overall MAP diagnostic and roadmap, Mix Market, Findex, World Bank, Lao MFA, etc.);
- Microfinance sector related information (policies, legal and regulatory framework, development, competition, market saturation, new FSPs licensed under microfinance regulation, etc.);
- MAFIPP program documentation, including ProDoc and amendment, budget (foreseen and actual), annual progress/project reports (APRs) and other progress and monitoring reports, minutes from Program Management Committee (PMC) meetings, 'Making Access to finance Possible' (MAP) process (including FinScope study) and deliverable, FIF related documentation (including minutes from Investment Committee [IC] meetings), DFS related documentation, performance based agreements (PBAs), TA agreements, strategic plans, monitoring tool, lists of training and TA support, etc.;
- CARD quarterly and annual progress reports;
- Documentation on MFA's Microfinance Master Certificate Course;
- FSPs' audited financial statements and product documentation; etc.

B. FSP Tools and Guidelines - micro (and client) level

Data was collected and analyzed for all five MicroLead FSPs[217] and came from different sources in order to allow for the evaluation team to cross-check their reliability. Quantitative data available at FSP level was gathered through a ***preliminary data file*** (also translated into Lao), which the FSPs were asked to fill out towards collecting some initial information on financial statements, portfolio, products/services, etc.[218] The preliminary data file contained a list of internal documents (yellow worksheet) to be provided - where available - to the evaluation team and a set of (purple) worksheets to be completed - where possible (i.e. subject to data availability) - by the FSP. Given the unavailability or the unreliability of some data, quantitative data at FSP level was be gathered by the evaluation team from information extracted from MAFIPP and CARD related progress reports and other sources (namely audited financial statements as well

[217] The evaluation team also met with the two FIF grantees, but quantitative data collection (or interaction with clients) was not necessary for these FSPs as MAFIPP supported activities have yet to start.

[218] While the preliminary file should ideally be sent to the FSPs prior to the in-country visit, due to the tight timeframe before the start of the in-country visit (and need for translation of the file into Lao) as well as the need for some clarifications on part of CARD before finalizing the file, it was unfortunately not possible to present the file before or even during the in-country visit.

as FINA and MFA sector data).

Data from these two sources (i.e. the preliminary data file and other sources) were then be pasted into a more complete ***data analysis (DA) file***, one for each FSP.[219] The DA tool automatically generates ratios, indicators, and tables needed for the FSP analysis. The FSP DA file has been conceived to be as user-friendly as possible and to allow for good efficiency in producing table outputs and figures for the drafting of the evaluation report. The minimum targets agreed upon with FSPs in the PBAs have also been integrated into the analysis in order to address EQ3.1, i.e. output delivery at micro level (as well as, indirectly with specific regard to the outreach targets, EQ3.4, i.e. outcome achievement). The indicator is the number of performance indicators not satisfied, or reasons for non-fulfillment. To the extent possible, data has been disaggregated by gender, age (namely, youth, where applicable) and rural clientele.

Finally, the evaluation team also met with FSP staff at various levels – governance (board), management and staff (including those dedicated to the MAFIPP program), and branch/service unit staff (including loan officers) - in order to get a full picture of program implementation, performance and prospects in the medium to long-term.

C. Focus Group Discussions (FGDs) and Structured Interviews with Clients - client level

The evaluation included direct interaction with clients of the five MicroLead FSPs.[220] More specifically, during the branch/service unit visits, the evaluation team held FGDs as well as brief structured interview sessions with a selection of clients. A total of ten FGDs lasting about two hours with between eight and ten participants were held at the visited branches/service units Furthermore, at the EMI HQ branch, the evaluation team also held an extra FGD with 12 SmartKids students. The FGDs with clients (but not with students) were followed by brief (around 10-15 minutes) structured individual interviews with each FGD participant. The two methods (FGDs and structured individual interviews) can be considered as complementary since they seek answers from different angulations – while discussion and comparison of opinions are stimulated through the FGDs (seeking to explore participants' perceptions and attitudes), the individual interviews solicit more punctual remarks and personal answers (which clients might not want to disclose in front of other participants).

The ***FGDs*** were structured around a series of guideline and probing question (see Annex 6), with cross-reference (**in green**) to the relevant EQ(s), in order to solicit information on:

- Current use and perceived needs on part of clients with regard to financial products/services (savings, credit) and delivery channels/methodologies;
- Opinions on quality of and satisfaction with products/services received and delivery channels/methodologies used as well as on the relationship with the FSP; and
- Perception of (potential) changes in financial behavior.

The ***structured interviews*** with individual clients were based on a questionnaire (attached in Annex 7). The purpose of these short and individual interviews were to gather some general information with regard the specific situation of the clients (education, household composition, work/employment situation, etc.), the use of specific products/services, as well as any perceived changes ('possible impact' – EQ4.2) since and as

[219] The preliminary data file has been conceived in line with the FSP DA file, so data from the former is easily be pasted into the latter.

[220] As mentioned above, the evaluation team also met with the two FIF grantees, but interaction with clients (quantitative data collection) was not necessary for these FSPs as MAFIPP supported activities have yet to start.

a result of having accessed product(s)/service(S) of the MicroLead FSPs.

The FGDs and interviews were held without the presence of FSP staff and led by the two international evaluation team members (namely the Team leader and the Junior evaluator) with the support of the Lao PDR microfinance consultant (or a local interpreter). The client meetings were not held at premises of the FSps, but in other, neutral, place (usually a community group or alike) in order to encourage participants to freely express themselves without prejudicing their relationship with the FSP.

D. Interviews with Other Stakeholders – global, macro, meso, and market level

In addition to meetings with FSP staff and clients, the evaluation team also consulted with other relevant stakeholders, namely:

- ***MAFIPP management*** (including those involved in the MAP exercise and the management of the FIF) and ***technical service providers (TSPs)*** providing TA or training to beneficiaries of the MAFIPP program;
- ***Global level*** - UNCDF (and UNDP) representatives, including MicroLead and MM4P; DFAT representatives; CARD; and other relevant international donors or initiatives (an investors);
- ***Macro level -*** BoL management and staff (namely with Financial Institutions Supervision Division, FISD); relevant ministries (notably the members of the MAP steering committee);
- ***Meso level -*** MFA management and staff; BI management and training staff; and other relevant meso level (including an audit company);
- ***MAFIPP supported DFS providers***; and
- ***Market level –*** i.e. non-MAFIPP supported FSPs (i.e. FSPs not directly involved in the program).

Initial contact was by way of a first introductory email to the relevant stakeholders (introducing the independent evaluation, the evaluation team members and the timing and purposes of the in-country visit as well as soliciting their availability for meetings/interviews). These introductory messages were accompanied by an official letter of introduction from the UNCDF EU (with Lao translation). The MAFIPP team has also kindly assisted in the preparation of a formal introductory letter on part of the BoL in order to further facilitate the availability of stakeholders and scheduling of meetings (namely at the macro level). Finally, the Lao national microfinance consultant has followed up on the introductory emails with phone calls. The Consultant met with (or talked to – some interviews were carried out over the phone/Skype) a total of ***68 stakeholders from 35 entities*** (with the MAFIPP team counting as one entity) at all levels (including the partner FSPs at the micro level). The complete list of interviewed stakeholders is attached in Annex 8.

Interviews with other relevant stakeholders apart from FSP staff and clients were carried out based on some (fairly loose) ***guidelines / probing questions*** (as attached in Annex 9). The probing questions are not to be considered as exhaustive (or limiting) since interviews are in the form of a dialogue and open discussion rather than a 'question and answer' session. Since the attached guidelines are of a general nature for the level/type of stakeholders, the areas to be discussed and questions to be posed were reviewed prior to each meeting. Also, as the lists of potential questions are long and time was scarce for some stakeholders, the evaluation team first concentrated on addressing those areas/questions considered to be a priority for the concerned stakeholder and then proceeded, time permitting, with the rest of the questions/information.

Annex 6: Guidelines for Focus Group Discussions (FDGs) with Clients

INSTRUCTIONS (in blue):

- **Introduce yourselves.**
- **Welcome participants: thank you for coming – we are grateful for your time. This session will last around 2 hours and will be followed by shorter individual interviews.**
- **We are working on the mid-term evaluation of MAFIPP– a program aiming to increase and improve financial inclusion in Laos. We are conducting an analysis to understand your needs and your points of view about the quality of services (financial, new delivery channels, and non-financial services). We will use this information to assess the changes introduced by the program in terms of financial and non-financial services and provide recommendations for the future.**
- **Make sure that the participants understand that the evaluation is independent and that the exercise is NOT a test or exam and that all answers will be treated as strictly confidential and NOT disclosed to any third party and NOT affect the relationship with [NAME OF FSP].**

KEY QUESTIONS AND RELATED PROBING QUESTIONS

Warm up / general information

Ask participants to briefly introduce themselves.

Information on financial products/services

1. What kind of products/services does [name of FSP] currently provide you with? **Probe**: current savings, fixed term deposits, long term deposit, loans for business or consumption, payments, transfer. **[EQ3.1]**
2. Is there any other product/service that you would need but currently don't have access to? **Probe**: current savings, fixed term deposits, long term deposit, loans for business or consumption, payments, transfer. **[EQ3.1]**

LOANS

3. Since [year on which FSP started promoting new loan products], how many loans have you received from [name of FSP]? For which purpose? **Probe**: startup, business development, consumption, others. **[EQ3.1 & 4.3]**
4. With [name of FSP] have you ever asked for a loan that was not approved? Why? **Probe:** no relevant documentation (ID card), no adequate guarantees, no adequate repayment capacity, no good credit history (if any) And with other financial institutions? **[EQ4.1]**
5. Which information did [name of FSP] give you on the loan products? **Probe:** terms and conditions, interest rate, speed in disbursement, customer service. How easy and clear was the information you received? How much do you pay of interest rate? Did you pay any fees? **[EQ6.6]**

6. Have you experienced any problems/delays during the repayment period of your loan? If yes, which ones and why? What did [name of FSP] do to make sure you paid back? What do you think about the practices? **[EQ3.1 & EQ4.3]**

7. What do you like most of the loan products? **Probe**: terms and conditions, interest rate, speed in disbursement, customer service, delivery channel (center methodology vs branch/service units) **[EQ3.1 & EQ4.3]**

8. What do you like the least of the loan products? **Probe**: no tailored repayment schedule, too expensive, difficult to get the loan and/or reimburse, other) **[EQ3.1 & EQ4.3]**

SAVINGS

9. Where do you save? **Probe**: at home, in more than one financial institution, in a tontine, with relatives, I don't save. If you save at home, why? **Probe**: don't trust, no FIs offering service in area, FIs are too far (how far?), don't have enough money. **[EQ3.1]** For which purposes? **[EQ3.1]**

10. Why have you started saving at [name of FSP]? **Probe**: safer than home, to gain interest. **[EQ3.1 & EQ4.3]**

11. Which information did [name of FSP] give you on the savings products? **Probe:** terms and conditions, interest rate, customer service. How easy and clear was the information you received? How much do earn of interest rate? Did you pay any fees? **[EQ6.6]**

12. What do you think about the process to deposit / withdraw? **Probe:** trustful, readily accessible, easy, long time, etc. **[EQ3.1 & EQ4.3]**

13. Would you increase your deposit if [name of FSP] offers different solutions? What can [name of FSP] offer you that could help you increase your savings? **[EQ3.1 & EQ4.3]**

DELIVERY CHANNELS

14. How do you get and repay a loan? **Probe**: in the field with COs , with external agents, in the branch/service unit, other ways **[EQ3.1]**

15. How do you deposit and withdraw? **Probe**: in the field with COs , with external agents, in the branch/service unit, other ways **[EQ3.1]**

16. Do you prefer to perform transactions at the branch/service unit anytime during office hours or in the village (or certain location) at a fix date and time? **COUNT PREFERENCES.** Why? **[EQ3.1 & EQ4.3]**

17. Have you ever heard of mobile or branchless banking (i.e. doing transactions in the field through an agent through the use of a mobile phone or other device)? Do you think that is something that it would simplify the way you do transactions? **Probe**: too difficult or non-trustful hence prefer branch or deal directly with the credit officer; useful because with agents transactions can be done at any time **[EQ3.1]**

Make sure that they understand what you mean with mobile or branchless banking (alternative devices with agents). Also try to understand whether or not new delivery channels are appropriate to their level

of literacy).

NON-FINANCIAL SERVICES

18. Is there any non-financial services that you would need or want, but currently don't have access to? **Probe**: business coaching, financial education training, other trainings. **[EQ3.1]**

Relationship with FSP

19. When and how did you start your relationship with [name of FSP]? **Probe**: marketing from FSP, informal network, friends, or family. Are (were) you a client at another financial institution (i.e. MFIs, SCUs, Village Funds, banks)? If yes, why did you change or why are you served by two different financial institutions? **Probe**: they offer different products, changed because offer better products. If no, why did you start as a client with [name of FSP]? **[EQ3.1 & EQ4.2]**

20. **Question to be done if the respondent is an OLD CLIENT (i.e. client of the FSP prior to the MicroLead support).** Do you see any difference in the [name of FSP] products you are using since [year on which FSP started promoting new products]? Which kind of differences? **Probe**: improvement in the quality and number of services and delivery channels, improvement in the design of product, better tailored to client needs. **[EQ3.1]**

21. Do your household members have loans or savings with other financial institutions? If no, why? **Probe**: no need, no access, no information available, difficult processes. If yes, do you see any important difference between the two? **Probe**: different products, different services and delivery channels. **[EQ3.1]**

22. Would you have asked for a loan (in general to any financial institution), if [name of FSP] was not offering the center methodology / [name of the product developed with MicroLead/CARD-MRI support] / opened a closer branch/service unit [the one opened with MicroLead/CARD-MRI support]? **[EQ4.3]**

23. Would you have started savings (in general with any financial institution), if [name of FSP] was not offering the center methodology / [name of the product developed with MicroLead/CARD-MRI support] / opened a closer branch/service unit [the one opened with MicroLead/CARD-MRI support]? **[EQ4.3]**

Information on financial behavior

24. Since [year in which FSP started promoting new products/services and delivery methodology, opened a new branch/service unit], have you changed your savings or credit attitudes or behaviors as a result of gaining access to these products/services, delivery methodology, or new branch/service unit? How? **Probe**: save more, save constantly, think twice when spending money, take credit now for investment purposes (would never have done before), etc. **[EQ4.3]**

Specific targets

25. Do you have any suggestions for [name of FSP] to help them improve their products/services? **[EQ3.1]**

26. How important is it to you that [name of FSP] has dedicated products/services for young people? **[EQ6.5]**

27. How important is it to you that [name of FSP] has dedicated products/services for women? **[EQ6.2]**

Annex 7: Questionnaire for Structured Interviews with Clients

[EQ4.3, EQ6.2,& EQ6.3]

Interviewer	FSP	Branch/Service Unit	# Interview

0.1. Date of interview: ______ / ______ / 2016

0.2. District: ____________________________ Province: _____________________________

0.3. Name of interviewer: ____

INSTRUCTIONS (in blue):

THE DAY BEFORE THE INTERVIEWS

- **Some of the information might already be available through the FSP (cross-check with already available information).**
- **Where possible, customize the red sentences according to the characteristics of each FSP and add the missing information.**

BEFORE STARTING THE INTERVIEWS

- **Introduce yourself to the client and remind her/him of the purpose of the interview, making clear that it is NOT a test or exam and that all answers will be treated as strictly confidential and NOT disclosed to any third party.**
- **Please keep your language simple and direct.**

Personal/general information

1. Name of client: ____

2. Year of birth: ________________

3. Gender of client: ☐ Female ☐ Male

4. Number of household components (including the client): ___________________________

5. Are you currently in school? ☐ Yes ☐ No

7.a. If Yes, how many years (which grade) have you completed so far? __________

7.b. If No, how many years (which grade) have you completed? __________

Depending on the grade completed (i.e. not the one currently ongoing), insert the total number of years of schooling completed (repeat years are not be counted).

6. Are you currently employed / do you have a job / are you working? ☐ Yes ☐ No

8.a. If Yes, what type of employment/job/work do you have?

____

Take note if the client is either employed (full-time, part-time, seasonal) and/or self-employed (i.e. has her/his own business).

8.b. If Yes, in which sector are you involved (what do you do)?

____

Be as descriptive as possible (selling vegetables, raising chickens, making baskets, etc.).

Relationship with MAFIPP supported FSP

7. When (which year) did you first become a client of [name of FSP]? _________

If the year stated predates the launch of the MicroLead/CARD-MRI supported products/services (and/or delivery channels; and/or new branch/service unit), please make sure that the client was indeed a client of the FSP prior to accessing the MicroLead/CARD-MRI supported products/services (and/or delivery channels; and/or new branch/service unit) and in case which products/services (and/or delivery channels) she/he then benefitted from.

Comments: ____

____

8. Which financial product(s)/service(s) [name of savings and/or credit products with the FSP] does [name of FSP] currently provide you with?

____

Take note of type of savings (current savings, fixed-term savings and/or time deposits) or credit (individual loan, group loan, business loan, agricultural loan, etc.) and whether or not launched with MicroLead/CARD-MRI support.

9. How do you get and repay loans? How do you save and withdraw money? Probe: in the field with loan officer, at branch, with external agents, etc.

____

____

Take note of whether or not the delivery channels are traditional mechanisms used prior to MicroLead/CARD-MRI support or 'alternative' mechanisms launched with MicroLead/CARD-MRI support.

Use of financial products/services and perception of 'possible impact'

10. What use have you made (or plan to make) of the loan product(s) [name of credit products with the FSP] that you currently access?

____

____

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Distinguish between investment (business, housing, livestock, etc.), direct consumption and other uses (schooling, training, etc.) and be as descriptive as possible (credit used to purchase sewing machine for business use, accumulated savings used to buy chickens to raise for production of eggs for the family, future savings to be used in case of emergencies, etc.). When clients have purchased livestock, vehicle or equipment, please distinguish if actually <u>used for economic activity</u> (selling the milk of a cow, using a bicycle for providing taxi services, etc.) <u>or for personal use/consumption</u>.

11. Which is the main purpose for which you save (what use do you plan to make with your savings)? Probe: for emergency, for business purposes, don't know, etc.

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12. Do you believe your situation/life has changed in any way since, and as a result of, gaining access to the product(s)/service(s) [name of savings and/or credit products with the FSP] and/or delivery channels that you currently use? ☐ Yes ☐ No

14.a. If Yes, could you give some examples? And how do you explain these changes?

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Please let the client answer as freely as possible and be as descriptive as possible - changes might be subtle (not spending too much time in queuing to deposit savings, ability to send children to school, better financial management capacities, etc.) and hence not always or necessarily larger 'life changing' events (such as becoming truly financial independent, being able to construct a house from profits earned in investment made through the access of credit, etc.). Take note of both positive changes (improvements) as well as possible negative changes as well as of if changes could possibly be 'attributed' to accessing the MAFIPP supported products/services and/or delivery channels.

15. Other comments, observations, etc.: ____

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Annex 8: List of Interviewed Stakeholders

Institution	Person, Position	Date of interview
MAFIPP team and external consultants (TSPs)		
MAFIPP team	Mr. Cedric Javary, International technical specialist, Inclusive finance	21, 25 & 28 March and *13 June* 2016
	Mr. Souliphonesith Rattanamongkhoun, FIF manager	24 March 2016
	Mr. Achyut Hari Aryal, FIF consultant	
	Mrs. Nongnout Daothong, Local MAP coordinator	25 March 2016
PHB Development	Mr. David Kleiman, Senior consultant, DFS & BB	23 March 2016
MicroSave	Mr. Puneet Chopra, Associate director	*10 June 2016*
Global level		
Appui au Developpement Autonome (ADA)	Mrs. Clara Bretin, Project officer	*27 April 2016*
	Mrs. Wendy Medrano Lazo, Project officer	
Bottom of Pyramid Associate (BoPA)	Mr. Christian Andersen, CEO	23 March 2016
Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI) ASEAN International Group (IG)	Mrs. Marjorie Marasigan, Director	*19 April 2016*
	Mrs. Shine Ballares, Lao country liaison manager	
Department for Foreign Affairs and Trade (DFAT) / Australian Agency for International Development (AID)	Mrs. Rachel Jolly, First secretary, Development cooperation, Australian embassy	21 March 2016
	Mr. Mone Sysavath, Program manager, Rural development, Australian embassy	
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Mr. Thorsten Fuchs, Program director, Access to Finance for the Poor (AFP)	22 March 2016
	Mr. Marc-Andre Zach, Microfinance advisor, AFP	
International Finance Corporation (IFC)	Mrs. Duangchay Panyanouvong, National TA expert	*26 April 2016*
Kreditanstalt für Wiederaufbau (KfW)	Mr. Lorenz Gessner, Director of KfW Vientiane office	8 April 2016
Laos - Australia Development Learning Facility (LADLF)	Mr. John Fargher, Team leader	24 March 2016
	Mrs. Frances Barns, Senior monitoring and evaluation specialist	
Savings Banks Foundation for International Cooperation (SBFIC)	Mr. Oliver Schuster, Project director and Lao country representative	24 March 2016
United Nations Capital Development Fund (UNCDF)	Mr. Thilaphong Oudomsine, Program specialist, Governance unit, UNDP Lao office	8 April 2016
	Mr. Feisal Hussain, Senior technical advisor, UNCDF regional office for Asia and the Pacific	*12 April 2016*

Institution	Person, Position	Date of interview
UNCDF, Making Access Possible (MAP)	Dr. Kameshnee Naidoo, MAP program advisor	*4 May 2016*
UNCDF, MicroLead	Ms. Pamela Eser, Global program manager	*2 September 2016*
UNCDF, Mobile Money for the Poor (MM4P)	Mr. François Coupienne, Lead technical specialist	*21 April 2016*
United Nations Development Program (UNDP)	Mr. Nils Christensen, UXO portfolio manager / Head of UXO unit, UNDP Lao	28 March 2016
Macro level		
Bank of Lao (BoL) PDR, Financial Institutions Supervision Department (FISD)	Dr. Akhom Praseuth, Director general	1 May 2016
	Mrs. Chansamone Chanthivong, Deputy head of MIS division	24 March 2016
Ministry of Finance (MoF)	Dr. Saensouk Soulisack, Deputy director general, Fiscal policy department	28 March 2016
Ministry of Planning and Investment (MPI)	Mr. Lianthong Souphany, Deputy director general, Planning department	Contacted, but not interviewed[221]
National Committee for Rural Development and Poverty Eradication (NCRDPE), Prime Minister's Office	Mr. Sounthala Srithirath, Head of poverty eradication division	28 March 2016
Meso level		
Asia Pacific Accounting & Audit Service (APAAS)	Mr. Ounheuane Amkhavanh, Managing director	27 March 2016
Banking Institute (BI)	Mrs. Keasorn Manivong, Deputy director	25 March 2016
	Mrs. Meemoua Yongmamoua, Deputy director	
Lao Microfinance Association (MFA)	Mrs. Pamouane Phetthany, Executive director	22 March 2016
	Mrs. Savana Phothilath, Capacity building / advocacy officer	
	Mrs. Vanhsy Chindavong, Chair of board	25 March 2016
	Mr. Saysamone Kouanmeunangchanh, Member of board (also Managing director of Saynhai Samphanh – see 'Market level' below)	*30 May 2016*
Micro level - DFS operators		
Banque pour le Commerce Exterieur Lao (BCEL)	Mr. Hinphet Chanthalangsy, Acting Chief, Treasury and International Services Division (TISD)	23 March 2016
	Mr. Sisamone Srithirath, Deputy Chief, TISD	
	Mrs. Sengchanh Manivanh, BCOME officer, TISD	
Unitel	Mr. Le Dang Ngoc, Director of IT center (& DFS project manager)	24 March 2016

[221] Approached with BoL letter of introduction on 23 March 2016, but not available to meet during in-country visit.

Institution	Person, Position	Date of interview
Micro level – partner FSPs		
ACLEDA Bank Lao	Mr. Narin Phon, Managing director & CEO	22 March 2016
	Mr. Mekhala Khotpanya, Head of credit department	
	Mr. Veha Siriphana, Manager of Xaybouly service unit	5 April 2016
Ekphatthana Microfinance Institution (EMI)	Mr. Somphone Sisenglath, Director	21 March 2016
	Mr. Chantha Mingboupha, Deputy director	
	Mrs. Bounta Boulom, Area manager	
	Mr. Kaisome Sanguilai, Manager of Xaythany 2 service unit	7 April 2016
	Mrs. Thongphet Sivichit, 'SmartKids' credit officer	6 April 2016
EMI, 'SmartKids school'	Mr. Phonevilai Phommavong, Principal Veunkham secondary and high school	6 April 2016
MFI Phatthana Oudomxay (MFIPO)	Mr. Somchit Duangmexay, Managing director	30 March 2016
Sasomsub MFI	Mr. Khamphanh Sanaphanh, President	22 March 2016
	Mrs. Chanpheng Lilavong, Managing director	
Savings and Credit Union (SCU) Huamchai Phatthana (HP)	Mrs. Boudsady Khammanivong, Managing director	3 April 2016
	Mrs. Vimala Keomolakod, Manager	4 April 2016
	Mr. Sisavanh Keolakotohosy, Credit officer	4 April 2016
Savings and Credit Union (SCU) Luang Phrabang (LP)	Mrs. Lathsouda Philavanh, Managing director	1 April 2016
	Mr. Khamson Xaiyasin, Chair of board	
	Mr. Phouvang Phot Boupha, Member of board	
	Mr. Khamsonh, Member of board	
	Mr. Somphone Philakoune, Chair of audit committee	
	Mrs. Vatsana Phongparath, Accountant	
	Mr. Thaksakoune Saysavaht, Credit officer	
Xainyom Microfinance Institution (XMI)	Mr. Khanthaly Saenvilaivong, Managing director	29 March 2016
	Mr. Bounkham Khanthavong, Operations manager	
	Mr. Southihideth Lorvanhkham, Manager of Houn service unit	30 March 2016
	Mr. Thanouvanh Saiyasone, Manager of Baeng service unit	30 March 2016

Institution	Person, Position	Date of interview
Market level – other (non-MAFIPP supported) FSPs		
Saynhai Samphanh	Mr. Saysamone Kouanmeunangchanh, Managing director (also Member of MFA board – see ‘Meso level’ above)	*30 May 2016*
Savings and Credit Union (SCU) Huasae Chaleun	Mr. Saiya Thammavongseng, Managing director	*26 May 2016*
Women and Family Development Fund (WFDF)	Mr. Oliver Schuster, SBFIC (see ‘Global level’ above)	24 March 2016

Dates in italics: Interviews carried out over telephone/Skype.

Annex 9: Guidelines for Interviews with Other Stakeholders

Before starting please explain the purpose of the evaluation (independent exercise, their feedback will only be presented in an anonymous and aggregated way and not disclosed to a third party, etc.) and verify (depending also on information already available for the entity/person before the meeting):

- **To what extent the entity and/or he/she has been involved in the MAFIPP program (or related activities) – what, how, when?**
- **The entity's and/or her/his role with regard to the MAFIPP program (or financial inclusion on general)**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
<u>Global level</u> UNCDF/UNDP staff (including MAFIPP management) Other relevant international donors, programs, initiatives, etc.	• General perceptions on the **financial inclusion** in Lao PDR (during the course of the program as well as future prospects) • Main issues concerning the **regulatory country framework** (in terms of supervision microfinance sector, branchless banking/mobile financial services) • General opinions on how the **MAFIPP Program was designed** (also considering appropriateness to national context, funding structure) • Main **challenges and opportunities regarding the MAFIPP** program design • Opinion on the interaction between **UNCDF and MAFIPP Program** and integration with other UNCDF country programs and global thematic programs • Opinions on the role of MAFIPP to become a **multi-donor funding platform** for financial inclusion in Lao PDR	**1. RELEVANCE AND QUALITY OF PROGRAM DESIGN**
	• Opinions on **MAFIPP management (monitoring and reporting), supervision role and capacity building** (including development of the Microfinance Master Certificate Course and the Microfinance Higher Diploma) of meso level institutions (Lao Microfinance Association and Lao Banking Institute) and prospects for sustainability (sufficient availability of human and financial resources, etc.) • Feedback on the role of the MAFIPP program in supporting **capacity building of FSPs** and prospects for sustainability (sufficient availability of human and financial resources, etc.) • Feedback on the possible role of the MAFIPP program in supporting a **market demonstration/replication** effect among other - non MAFIPP supported – FSPs • Opinion on **FIF management** • Opinion on **funds adequacy/availability, allocation and effective use** • **Description of FSPs – DFSs selection** • Feedback on **TA/training selection process and implementation** (usefulness of: exposure visits / study tours & participation at global conferences; assistance in drafting relevant regulation [DFS, leasing]; MAP diagnostic; training [audit, business plan review for licensing, English, etc.]; assistance in data collection [FINA]; etc.) • General opinion on the **interaction with national stakeholders**	**2. EFFICIENCY OF MANAGEMENT AND QUALITY OF ACTIVITIES**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
	• Feedback on **progresses towards targets at all levels** (macro, meso, micro and client) • Feedback on **potential achievement of targets at the end of the program** (macro, meso, micro and client) • **Potential limits** that could create constraints in the future program implementation (and eventual strategy to overcome them)	**3. EFFECTIVENESS TO DATE**
	• Opinions on potential impact on the possible role of the MAFIPP program in **supporting changes at:** ○ **macro level** (policy agenda, regulations, industry dialogue and dissemination [including annual Microfinance Forum], possible use of findings of the MAP diagnostic; etc.) ○ **meso level,** increasingly meeting the needs of FSPs (effective advocacy mechanisms, change in type and/or quality of activities/support provided, etc.) ○ **market level,** market demonstration/replication effect among other (i.e. non MAFIPP beneficiary) FSPs with regard to the provision of financial (and non-financial) services ○ **client level,** change in clients' lives as a direct result of accessing MAFIPP supported products/services (or delivery mechanisms)	**4. POSSIBLE IMPACT**
	• Opinions on the capacity to continue with operations once the program comes to an end: ○ at **macro and meso level** (in terms of strategy, human resources, commitment, etc) ○ **FSPs level** (in terms of capacity, human resources, ability to have sustainable products and delivery channels, etc)	**5. PROSPECTS FOR SUSTAINABILITY**
	• General impression on the integration in program implementation of the issues ○ Gender ○ Youth ○ Client protection ○ Environmental sustainability	**6. CROSS-CUTTING THEMES**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
Macro level Bank of Lao (BoL) PDR	• General perceptions on the **financial inclusion** in Lao PDR (during the course of the program as well as future prospects) • Main issues concerning the **regulatory country framework** (in terms of supervision microfinance sector, branchless banking/mobile financial services) • Feedback on **relevance of the MAFIPP program** with regard to the state of financial inclusion of Lao PDR at the start of the program (ie. 2010) • Feedback on **appropriateness of the design** of the MAFIPP program (focus on macro, meso and micro level; focus on digital financial services [DFS]; focus on remote/rural areas; use of funding platform [Fund for Financial Inclusion]; use of NIM versus DIM [probe: feel more in control, better alignment with BoL objectives, additional strain on BoL human resources], etc.) • Main **challenges and opportunities** regarding the MAFIPP program design	**1. RELEVANCE AND QUALITY OF PROGRAM DESIGN**

Level of Analysis	Probing questions/issues to be discussed	Evaluation Questions
	• Feedback on MAFIPP **program management** (adequate and timely response to issues to be addressed; monitoring; etc.) • Feedback on **TA/ training** and other support received (usefulness of: exposure visits / study tours & participation at global conferences; assistance in drafting relevant regulation [DFS, leasing]; MAP diagnostic; training [audit, business plan review for licensing, English, etc.]; assistance in data collection [FINA]; etc.) And possibly also (depending on whether or not they feel that they have enough information to base their feedback on): • Feedback on the role of the MAFIPP program in supporting **capacity building** (including development of the Microfinance Master Certificate Course and the Microfinance Higher Diploma) of meso level institutions (Lao Microfinance Association and Lao Banking Institute) and prospects for sustainability (sufficient availability of human and financial resources, etc.) • Feedback on the role of the MAFIPP program in supporting **capacity building of FSPs** and prospects for sustainability (sufficient availability of human and financial resources, etc.) • Feedback on the possible role of the MAFIPP program in supporting a **market demonstration/replication effect** among other - non MAFIPP supported – FSPs	**2. EFFICIENCY OF MANAGEMENT AND QUALITY OF ACTIVITIES**
	• Feedback on **progresses towards targets** (# training, dissemination, etc)	**3. EFFECTIVENESS TO DATE**
	• Feedback on the possible role of the MAFIPP program in supporting **changes at the macro level** (policy agenda, regulations, industry dialogue and dissemination [including annual Microfinance Forum], possible use of findings of the MAP diagnostic; etc.)	**4. POSSIBLE IMPACT**
	• Feedback on **BOL's plans for the future** and availability of human and financial resources beyond the end of the MAFIPP program	**5. PROSPECTS FOR SUSTAINABILITY**
	• Feedback on the consideration of: ○ gender ○ client protection ○ youth ○ environmental sustainability in policy making, data collection, training of BoL staff, etc.	**6. CROSS-CUTTING THEMES**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
Macro level MAP Steering Committee - Ministry of Finance (MoF), Ministry of Planning and Investment (MPI), Ministry of Agriculture and Forestry (MAF), National Committee for Rural Development and Poverty Eradication (NCRDPE)	• General perceptions on the **financial inclusion** in Lao PDR (during the course of the program as well as future prospects) • Main issues concerning the **regulatory country framework** (in terms of supervision microfinance sector, branchless banking/mobile financial services) • Feedback on **relevance of the MAFIPP** program with regard to the state of financial inclusion of Lao PDR at the start of the program (ie. 2010) • Feedback on **appropriateness of the design** of the MAFIPP program (focus on macro, meso and micro level; focus on digital financial services [DFS]; focus on remote/rural areas; use of funding platform [Fund for Financial Inclusion]; etc.) • General opinions on how the **MAFIPP Program was designed** (also considering appropriateness to national context and synergies with other similar actions (carried out by meso, macro and/or global level stakeholders)) • Main **challenges and opportunities regarding the MAFIPP** program design	**1. RELEVANCE AND QUALITY OF PROGRAM DESIGN**
	• Feedback on MAFIPP **program management** (adequate and timely response to issues to be addressed; monitoring; etc.) • Feedback on the **MAP diagnostic process** (challenges, key findings, possible use of findings, etc.)	**2. EFFICIENCY OF MANAGEMENT AND QUALITY OF ACTIVITIES**
	• Feedback on the possible participation in (and in case usefulness of) other **MAFIPP supported activities** (exposure visits / study tours, training, etc.)	**3. EFFECTIVENESS TO DATE**
	• Feedback on the possible role of the MAFIPP program in supporting **changes at the macro level** (policy agenda, regulations, industry dialogue and dissemination [including annual Microfinance Forum], possible use of findings of the MAP diagnostic; etc.)	**4. POSSIBLE IMPACT**
	• Opinion on the capacity (in terms of financial and (qualified) human resources, commitment on part of policy makers and regulators and support structures) to **maintain support towards financial inclusion**	**5. PROSPECTS FOR SUSTAINABILITY**
	• Policy makers and regulators have received quality training/TA with regard to the **importance gender analysis and mainstreaming**	**6. CROSS-CUTTING THEMES**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
Macro level Ministry of Post and Telecommunications (part of MAP Task Force)	• General perceptions on the **financial inclusion** through digital financial services (DFS) in Lao PDR (during the course of the program as well as future prospects) • Feedback on the MAP diagnostic process (challenges, key findings, possible use of findings, etc.) • Main issues concerning the **regulatory country framework** (branchless banking/mobile financial services) • Main **challenges and opportunities regarding the MAFIPP** program design related to new delivery channels • Feedback on the **interagency DFS regulatory team** (set up with the Bank of Lao PDR in January 2014) •	**1. RELEVANCE AND QUALITY OF PROGRAM DESIGN**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
	• Feedback on the possible participation in (and in case usefulness of) other **MAFIPP supported activities** (exposure visits / study tours, training, etc.)	**2. EFFICIENCY OF MANAGEMENT AND QUALITY OF ACTIVITIES**

Level of Analysis	*Probing questions/issues to be discussed*	*Evaluation Questions*
<u>Meso level</u> Lao Microfinance Association (MFA) Lao Banking Institute (BI) – more limited areas of conversation / limited amount of questions	• General perceptions on the **financial inclusion** in Lao PDR (during the course of the program as well as future prospects) • Main issues concerning the **regulatory country framework** (in terms of supervision microfinance sector, branchless banking/mobile financial services) • General opinions on how the **MAFIPP Program was designed** (also considering appropriateness to national context synergies with other similar actions (carried out by meso, macro and/or global level stakeholders)) • Main **challenges and opportunities regarding the MAFIPP** program design	**1. RELEVANCE AND QUALITY OF PROGRAM DESIGN**
	• Opinions on **MAFIPP management (monitoring and reporting), supervision role and capacity building** (including development of the Microfinance Master Certificate Course and the Microfinance Higher Diploma) of meso level institutions (Lao Microfinance Association and Lao Banking Institute) and prospects for sustainability (sufficient availability of human and financial resources, etc.) • Feedback on the role of the MAFIPP program in supporting **capacity building of FSPs** and prospects for sustainability (sufficient availability of human and financial resources, etc.) • Feedback on the possible role of the MAFIPP program in supporting a **market demonstration/replication** effect among other - non MAFIPP supported – FSPs • Opinion on **funds availability, allocation and effective use** • **Description of FSPs – DFSs selection** • Feedback on **TA/training** (usefulness of: exposure visits / study tours & participation at global conferences; assistance in drafting relevant regulation [DFS, leasing]; MAP diagnostic; training [audit, business plan review for licensing, English, etc.]; assistance in data collection [FINA]; etc.)	**2. EFFICIENCY OF MANAGEMENT AND QUALITY OF ACTIVITIES**
	• Feedback on progresses towards meso level and FSPs targets • Feedback on potential achievement of meso level and FSPs targets at the end of the program • Potential limits that could create constraints in the future program implementation	**3. EFFECTIVENESS TO DATE**

Level of Analysis	***Probing questions/issues to be discussed***	***Evaluation Questions***
	• Opinions on potential impact on the possible role of the MAFIPP program in **supporting changes at:** o **macro level** (policy agenda, regulations, industry dialogue and dissemination [including annual Microfinance Forum], possible use of findings of the MAP diagnostic; etc.) o **meso level,** increasingly meeting the needs of FSPs (effective advocacy mechanisms, change in type and/or quality of activities/support provided, etc.) o **market level,** market demonstration/replication effect among other (i.e. non MAFIPP beneficiary) FSPs with regard to the provision of financial (and non-financial) services o **client level,** change in clients' lives as a direct result of accessing MAFIPP supported products/services (or delivery mechanisms)	**4. POSSIBLE IMPACT**
	• Opinions on the capacity to continue with operations once the program comes to an end: o at **macro and meso level** (in terms of strategy, human resources, commitment, etc) o **FSPs level** (in terms of capacity, human resources, ability to have sustainable products and delivery channels, etc)	**5. PROSPECTS FOR SUSTAINABILITY**
	• General impression on the integration in program implementation of the issues o Gender o Youth o Client protection o Environmental sustainability	**6. CROSS-CUTTING THEMES**

Level of Analysis	***Probing questions/issues to be discussed***	***Evaluation Questions***
Market level Other, i.e. non-MAFIPP supported, FSPs	• General perceptions on the **financial inclusion** in Lao PDR (during the course of the program as well as future prospects)	**1. RELEVANCE AND QUALITY OF PROGRAM DESIGN**
	• Feedback on possible current or future plans for extending outreach to remote (rural) areas and/or low-income householders and entrepreneurs (specific product development, use of alternative delivery channels, etc.) • General perceptions on the main challenges and opportunities regarding financial inclusion in general in Lao PDR (during the course of the program as well as future prospects)	**4. POSSIBLE IMPACT**

Annex 10: FIF Progress to Date (December 2015)

Theme, # thematic area (publication date)	# of EoIs (# of FSPs)	# short-listed FSPs	# pro-posals	# awardees (date of award)	Awardees	Awarded amount (type of support)	Agreement signed
Calls for EoI							
FIF#1. Testing and rolling out new financial product, #1 (June 2014)	34[a] (27)	2	2	2 (October 2014)	EMI	USD 89,026 (grant)	Yes
					Phatthana Oudomxay	USD 40,880 (direct TA)	Yes
FIF#2. Testing additional delivery channels, #2 (June 2014)		1	1	1 (October 2014)	Sasomsub	USD 36,225 (direct TA)	Under finalization[b]
FIF#4. Reinforcing internal processes and control, #6 (September 2014)	7[c]	0	n/a				
FIF#5. Extending to other catchment areas and/or intensifying presence within existing catchment areas (only rural), #5 (September 2014)	4	1[d]	Ongoing				
FIF#7. Reducing proportion of loans in arrears and/or preventing future loans falling into arrears, #6 (October 2015)	5 (5)	3[e]	Ongoing				
FIF#8. Supporting migrant workers in SEZ by offering financial services bundled with payroll services, #4 (October 2015)	1 (1)	0	n/a				
Calls for proposals							
FIF#3. Piloting BB / mobile financial services, #3 (June 2014)	n/a		2	2 (October 2014)	BCEL	USD 190,000 (grant & direct TA)	Yes
					ETL[f] (replaced by Unitel)	USD 230,000 (grant & direct TA)[f]	No[f]
			1	1 (October 2015)	Unitel	USD 115,000 (grant & direct TA)	No[g]
FIF#6. Developing borrower base (increasing loan portfolio) through external refinancing, #5 (September 2014)	n/a		1	1 (October 2014)	XMI	USD 375,000 (loan)[h]	Yes
Total	***51***	***7***	***7***	***7***[k]		***USD 846,131***[l]	

Notes:

[a] With 8 relating to FIF#1 and 15 to FIF#2 (intended theme not clear for the remaining 11 EoIs).

[b] Pending authorization from the BoL for the establishment of new service unit in the proposed outreach area for which center methodology would be adopted.

[c] 3 of these (not shortlisted) included requests from SCUs for small amounts to upgrade their current MIS (Excel based).

[d] Shortlisted FSP (Champalao) did not submit application in time for the second IC meeting in October 2014 as authorization from the BoL to establish a new service unit was still pending (at the time of writing, Champalao has received the authorization and the FIF manager is currently assisting in the finalization of the proposal).

[e] Houngheams Sup (non-deposit taking MFI), Patoukham (deposit taking MFI), and SCU Paksong.

[f] Award withdrawn at third IC meeting in October 2015 since ETL cancelled agreement (signed only on part of UNCDF in September 2015) due to a change in management and lack of additional funding to support the proposed investment.

[g] Initial MoU signed in May 2015.

[h] LAK 3 million at 6% annual interest rate for 30 months (with principal paid back in two tranches and interest paid every six months).

[k] But the ETL award was later cancelled.

[l] Excluding the cancelled ETL award.

Annex 11: Characteristics of Credit and Savings Products

ACLEDA

Loan product characteristics	Small 1 loan (group)	Small 1 loan (individual)	Small 2 loan (individual)	Small 3 loan (individual)
Loan size (LAK)	1-4 million	1-20 million	20-200 million	200-600 million
Loan term	1-2 years	1-5 years	1-5 years	1-5 years
Interest rate (annual)*	12-14% (flat)	12-14% (flat)****	12-14% (declining)	12-14% (declining)
Repayment frequency	monthly	monthly	monthly	monthly
Balloon payment of capital**	yes	yes	yes	yes
Collateral***	no	yes	yes	yes
Guarantor(s)	yes (group guarantee)	no	no	no
Administration fees (% of loan amount)	-	8%	7%	5.5%
Compulsory savings	no	no	no	no

Notes:

ACLEDA also offers the small 1, 2 and 3 loans denominated in USD and THB (with a lower interest rate) as well as medium loans beyond LAK 600 million (USD 75,000) and personal staff loans.

* Interest rate depends on loan term (1 year 12%; 2-3 years 13%; 4 years 13.5%; 5 years 14%).

** Possible on 1 year loans (paying half the capital mid-term and half the capital at the end).

*** Land title, fixed assets (buildings) and/or fixed term deposits.

**** Declining rate applied on amounts above LAK 15 million (USD 2,000).

Savings product characteristics	Current (passbook) deposit	Term deposit
Minimum balance (LAK)	50,000	5 million
Interest rate (annual)*	1.96%	3.34-10.56%*
Opening fee	-	-
Passbook fee (LAK)	10,000	n/a

Notes:

ACLEDA also offers both current and fixed term savings accounts denominated in USD and THB (with a lower interest rate).

* Interest rate depends on term (3 months 3.34%; 6 months 4.22%; 1 year 3.13%; 2 years 8.68%; 3 years 9.54%; 4 years 10.56%).

EMI

Loan product characteristics	Development loan	Development loan	Salary loan (1)	Salary loan (2)	Consumption loan	Education loan
Loan products (offered at the branch / mobile service unit)						
Loan size (LAK)	0.5 - 10 million	10.5 - 20 million	1 - 10 million	10.5 - 20 million	0.5 - 2 million	0.5 - 4 million
Loan term	6-24 months	6-24 months	6-24 months	6-24 months	3-6 months	6-12 months
Interest rate (monthly)	3.5% (flat)	3.5% (declining)	2.99% (flat)	2.99% (declining)	2.99% (flat)	2.99% (flat)
Repayment frequency	weekly or monthly	monthly	monthly	monthly	weekly or monthly	monthly
Balloon payment of capital	no	no	no	no	no	no
Collateral	yes*	yes*	yes**	yes**	no***	yes****
Guarantor(s)	no	no	no	no	no	no
Administration fees (% of loan amount)	2%	2%	2%	2%	2%	2%
Compulsory savings	no	no	no	no	no	no
Loan products (offered through center methodology)						
Loan size (LAK)	0.5 - 5 million	5.5 - 20 million			0.5 - 2 million	0.5 - 4 million
Loan term	16-40 weeks	16-72 weeks			3-6 months	6-12 months
Interest rate (monthly)	3.5% (flat)	2.99% (flat)			2.99% (flat)	2.99% (flat)
Repayment frequency	weekly	weekly			weekly or monthly	monthly
Balloon payment of capital	no	no			no	no
Collateral	no	yes*			no***	yes****
Guarantor(s)	no	no			no	no
Administration fees	2%	2%			2%	2%
Compulsory savings	no	no			no	no

Notes:

* Land title and/or vehicle.

** Salary.

*** But client must already have an active development loan account.

*** Vehicle and/or salary.

Savings product characteristics	Current (passbook) deposit	Term deposit
Minimum balance (LAK)	5,000	n/a
Interest rate (annual)	8%	n/a
Opening fee	0	n/a
Passbook fee (LAK)	0*	n/a

Notes:

* Passbook used to cost LAK 5,000, now free of charge.

XMI

Loan product characteristics	Micro loan	Agricultural loan	Education loan	Emergency loan
Loan size (LAK)	0.5 - 5 million	0.5 - 10 million****	0.5 - 3 million	0.5 - 3 million
Loan term	<1 year	23-52 weeks	<6 months	<3 months
Interest rate (monthly)*	2.5% (flat)	2.5% (flat)	2.5% (flat)	2.5% (flat)
Repayment frequency	weekly or monthly	weekly or monthly	weekly or monthly	weekly or monthly
Balloon payment of capital	no	yes	no	no
Collateral	no	no	no	no
Guarantor(s)**	yes (3)	yes (3)	yes (3)	yes (3)
Administration fees	no	no	no	no
Compulsory savings***	yes	yes	yes	yes

Notes:

* Plans to revise it to declining.

** Including spouse if married. Also need approval from village chief.

*** LAK 5,000/week. Also need to save for 1 week (recently reduced from 4 weeks) before applying for a loan.

**** Max LAK 4 million for 1st loan.

Savings product characteristics	Current (passbook) deposit	Term deposit
Minimum balance (LAK)	20,000	n/a
Interest rate (annual)	6%	n/a
Opening fee	0	n/a
Passbook fee (LAK)	0*	n/a

Notes:

* Free if opening account, but if the client closes the account a LAK 5,000 passbook fee will be charged.

SCU HP

Loan product characteristics	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5
Loan size (LAK)	0.5-5 million	0.5-10 million	0.5-2 million	3-5 million	10-20 million
Loan term	60-120 days	12-48 weeks	3-6 months	6-12 months	6-20 months
Interest rate (monthly)	3% (flat)	3% (flat)	3% (flat)	3% (flat)	3% (flat)
Repayment frequency	daily	weekly	monthly	monthly	monthly
Balloon payment of capital	no	no	yes/no**	yes/no**	yes/no**
Collateral*	yes >1.5 million	yes >1.5 million	yes >1.5 million	yes	yes
Guarantor(s)	yes <1.5 million	yes <1.5 million	yes <1.5 million	no	no
Administration fees (LAK)	15,000	15,000	15,000	15,000	15,000
Compulsory savings	no	no	no	no	no

Notes:

* Land title and/or movable assets (including vehicles and furniture).

** Principal paid at the end only for loans classified as agricultural.

Savings product characteristics	Current (passbook) deposit	Term deposit
Minimum balance (LAK)	10,000	50,000
Interest rate (annual)	6%	7-12%*
Opening fee	10,000	10,000
Passbook fee (LAK)	15,000	n/a

Notes:

* Interest rate depends on term (3 months 7%; 6 months 9%; 1 year 12%).

SCU LP

Loan product characteristics	Business (multipurpose) loan	Agricultural loan	Commerce	Micro commerce	Education loan	Emergency loan
Loan size (LAK)	1-50 million	1-20 million	1-5 million	0.5-3 million	1-5 million	1-5 million
Loan term	6-12 months	1 year	6 months	6 months	6 months	6 months
Interest rate (monthly)	3% (flat)	3% (flat)	3% (flat)	3% (flat)	3% (flat)	3% (flat)
Repayment frequency	monthly	monthly	monthly	monthly	monthly	monthly
Balloon payment of capital	no	yes	no	no	no	no
Collateral*	yes	yes	yes	yes	yes	yes
Guarantor(s)	no	no	no	no	no	no
Administration fees (LAK)	15,000	15,000	15,000	15,000	15,000	15,000
Compulsory savings	no	no	no	no	no	no

Notes:

* Land title and/or movable assets (including vehicles and furniture).

Savings product characteristics	Current (passbook) deposit	Term deposit
Minimum balance (LAK)	5,000	500,000
Interest rate (annual)	5%	8-14%*
Opening fee	0	0
Passbook fee (LAK)	0	n/a

Notes:

* Interest rate depends on term (6 months 8%; 1 year 10%; 2 year 14%).

Annex 12: Location of Branches and Service Units of MicroLead FSPs

Branch / service unit	District	Province
ACLEDA (5 service units)*		
Attapeu service unit A (Vernkhaen village)	Samakhyxay	Attapeu (Southern Lao PDR)
Hinboon service unit (Khamkeo village)	Hinboon	Khammouane (Southern Lao PDR)
Nongbok service unit (Phone village)	Nongbok	
Meuangphine service unit A (Pasomxay village)	Phine	Savannakhet (Southern Lao PDR)
Xaybouly service unit (Nadeang village)	Xaybouly	
EMI (10 branches + 2 mobile service unit)		
Chantabouly branch #1 (Haisok village)	Chantabouly	Vientiane capital (Central Lao PDR
Sikhottabong branch #2	Sikhottabong	
Sisattanak branch #4	Sisattanak	
Hadxayfong branch #9	Hadxayfong	
Xaysetha branch #3	Xaysetha	
Xaythany branch #5	Xaythany	
Xaythany 2 branch #10		
Naxaythong branch #8	Naxaythong	
Phonhong branch #6	Phonghong (Keo Oudom & Viengkham)	Vientiane (Central Lao PDR)
Toulakhom branch #7	Toulakhom	
Vangvieng mobile service unit	Vangvieng	
Paklai mobile service unit	Paklai	Xayabouly (Central Lao PDR
SCU HP (1 main branch)		
HQ / main branch	Kaysone Phomvihane	Savannakhet (Southern Lao PDR)
SCU LP (1 main branch + 1 service unit)		
HQ / main branch (Viengkeo village)	Luangprabang	Luangprabang (Northern Lao PDR)
Nan service unit	Nan	
XMI (1 main branch + 6 service units)		
Houayxay service unit	Houayxay	Bokeo (Northern Lao PDR)
Namtha service unit	Namtha	Luangnamtha (Northern Lao PDR)
Sing service unit	Sing	
HQ / main branch (Nongmeangda village)	Xay	Oudomxay (Northern Lao PDR)
Beng service unit*	Beng	
Houn service unit	Houn	
Namo service unit*	Namo	

Notes:

Branches / service units in bold have been established after 2010 (i.e. during the course of MicroLead and CARD support between 2011 and 2015). *Branches / service units in italics* offer the center methodology approach.

* At the end of 2015, ACLEDA had a total of 41 branches and service units across the country, but only the five service units established with MicroLead funding have been listed here.

** Even if XMI apparently had an 'office' in both the Beng and the Namo district in 2010, the service units were officially established only in 2015 (and onlending at both units has been supported with FIF funding).

Annex 13: Achievement of PBA Targets – EMI, XMI, SCU HP, and SCU LP

PBA targets, December 2015	EMI	XMI	SCU HP	SCU LP	All 4 CARD grantees*
Number of active borrowers	***9,406***	***9,633***	***1,398***	***768***	***21,205***
Minimum target	15,475	21,063	2,787	2,675	42,000
Proposed target	18,206	24,780	3,283	3,152	49,421
% of women borrowers	***76%***	***80%***	***81%***	***51%***	***77%***
Minimum target	50%	50%	50%	50%	50%
Proposed target	75%	75%	75%	75%	75%
Number of active depositors	***79,318***	***29,833***	***5,667***	***6,045***	***120,863***
Minimum target	34,000	38,739	5,965	6,611	85,315
Proposed target	40,000	45,575	7,017	7,778	100,370
% of women depositors	***58%***	***66%***	***78%***	***58%***	***61%***
Minimum target	50%	50%	50%	50%	50%
Proposed target	75%	75%	75%	75%	75%
Operational self-sufficiency (OSS)*	***94%***	***170%***	***247%***	***236%***	***140%***
Minimum target	103%	134%	165%	126%	100%
Proposed target	121%	158%	194%	148%	199%
Financial self-sufficiency (FSS)*	***92%***	***168%***	***244%***	***233%***	***138%***
Minimum target	102%	134%	157%	123%	n/a
Proposed target	120%	158%	185%	145%	n/a
Portfolio at risk >30 days	***3.5%***	***1.2%***	***9.5%***	***3.2%***	***2.8%***
Minimum target	5%	5%	5%	5%	5%
Proposed target	5%	5%	5%	5%	5%
Average loan loss rate**	***0.4%***	***2.4%***	***3.0%***	***0.2%***	***1.3%***
Minimum target	3%	3%	3%	3%	3%
Proposed target	3%	3%	3%	3%	3%

PBA targets, December 2015	EMI	XMI	SCU HP	SCU LP	All 4 CARD grantees*
Gross loan portfolio (USD)	***4,962,200***	***4,230,278***	***508,877***	***513,567***	***10,214,922***
Minimum target	4,634,433	3,211,108	1,271,953	1,328,885	10,446,379
Proposed target	6,377,124	3,777,774	1,496,415	1,563,395	13,214,708
Average loan balance (% GNI p.c.)	***33%***	***27%***	***23%***	***42%***	***30%***
Minimum target	20%	20%	20%	20%	20%
Proposed target	20%	20%	20%	20%	20%
Outstanding savings balance (USD)	***7,675,749***	***1,856,976***	***618,279***	***566,848***	***10,717,851***
Minimum target	6,377,124	2,303,032	505,315	736,860	9,922,331
Proposed target	7,502,499	2,709,449	594,488	866,894	11,673,330
Average savings balance (% GNI per p.c)	***6%***	***4%***	***7%***	***6%***	***6%***
Minimum target	20%	20%	20%	20%	20%
Proposed target	20%	20%	20%	20%	20%

* Total or weighted average (based on the corresponding outstanding savings/credit amount of each FSP) depending on the indicator.

** OSS/FSS adjusted as per the Consultant's own calculations for EMI (for which 2015 financial statement was made available), based on the inclusion of operating expenses not included in the CARD performance tracking figures. For all other FSPs, 2015 financial statements were not provided, so the figures from the CARD performance tracking file are listed (and they are likely to be overestimated). FSS is adjusted only for inflation, but not other factors based on incomplete data (e.g. on donations impacting the income statement). No adjustment for donations/grants included, as audited financial statements are not yet available for 2015.

*** Average loan loss rate adjusted as per the consultant's own calculations for all CARD grantees, to factor in all write-offs and write-backs during the year and to use average gross loan portfolio over the year rather than only end year portfolio in the denominator of the ratio. Consistent write-off data was not provided and the figures are not fully reliable.

Proposed target reached	(green)
Only minimum target reached	(light green)
Neither target reached	(red)

Notes:

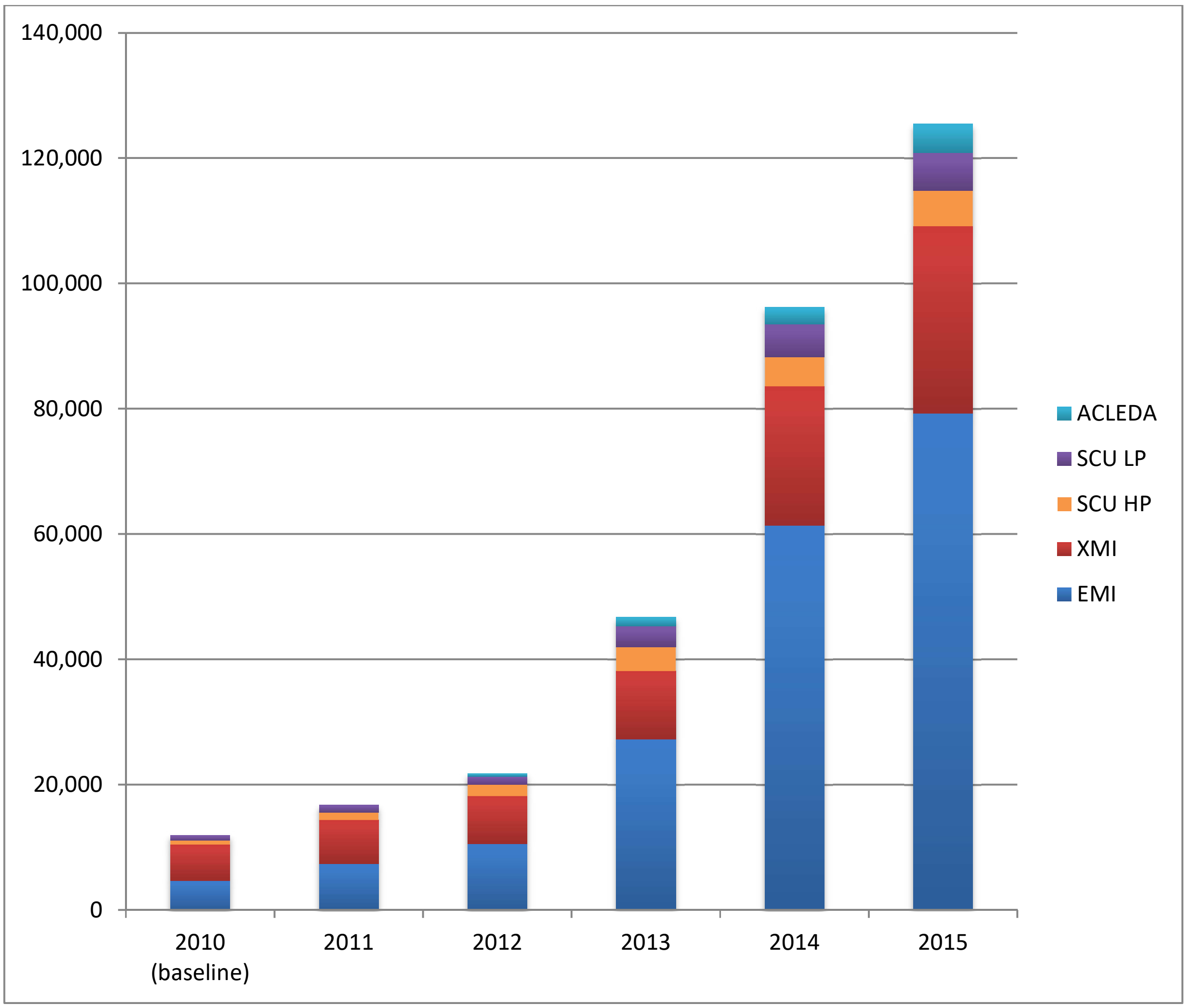
GNI per capita (Atlas method) from World Development Indicators, World Bank. 2015 estimate is predicted based on the increase between 2013 and 2014.

LAK/USD exchange rate from Oanda.com.

Annex 14: Numbers of Savers with MicroLead FSPs

Number of savers, end of year	2010 (baseline)	2011	2012	2013	2014	2015
EMI	4,709	7,401	10,596	27,251	61,355	79,318
XMI	5,734	6,979	7,570	10,882	22,250	29,833
SCU HP	653	1,220	1,818	3,870	4,634	5,667
SCU LP	794	1,128	1,368	3,283	5,250	6,045
ACLEDA*	n/a	n/a	368	1,464	2,718	4,629
Total, all 5 FSPs	***11,890***	***16,728***	***21,720***	***46,750***	***96,207***	***125,492***

* ACLEDA figures only include savers (regardless of account balance) with the five service units established with MicroLead funding.

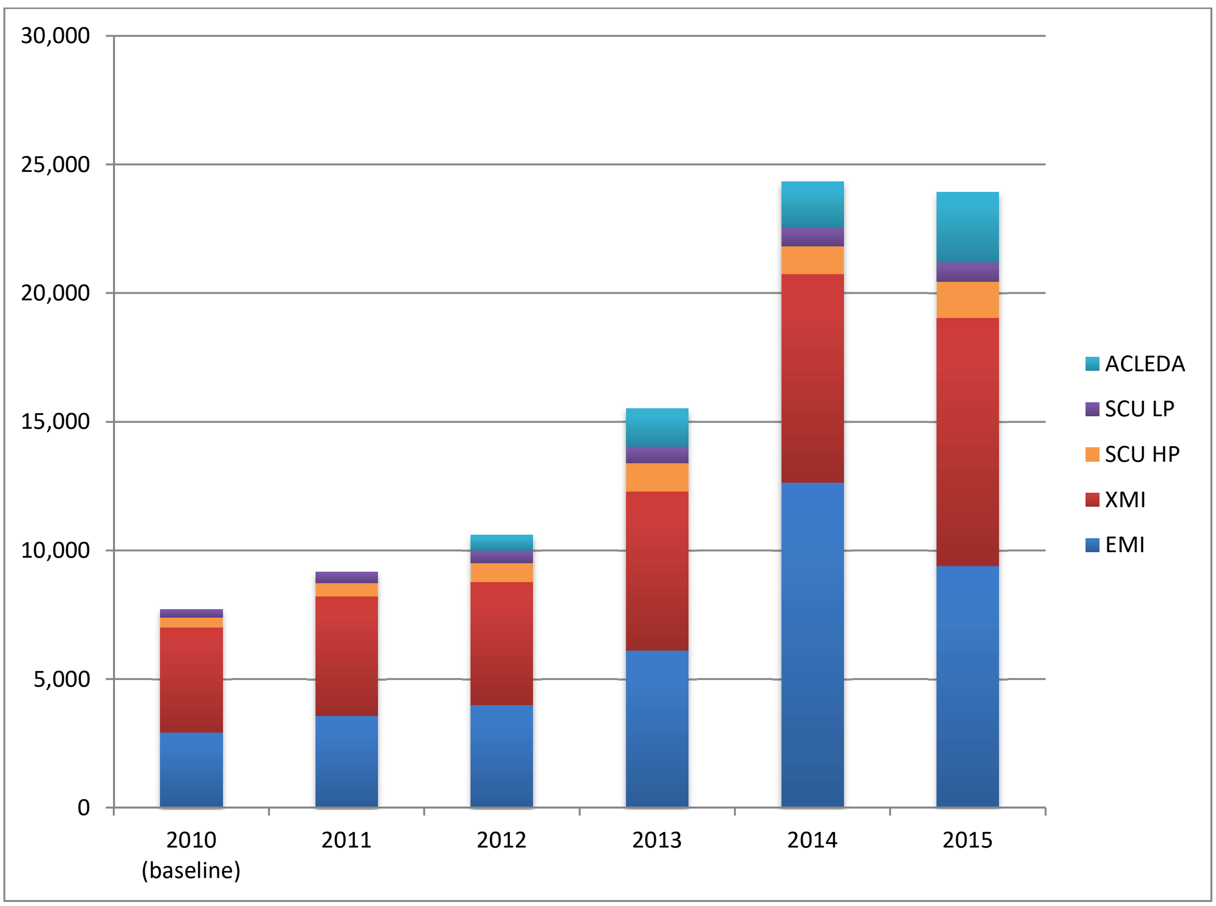


Annex 15: Numbers of Borrowers with MicroLead FSPs

Number of borrowers, end of year	2010 (baseline)	2011	2012	2013	2014	2015
EMI*	2,939	3,571	3,997	6,125	12,638	9,406
XMI	4,058	4,642	4,775	6,159	8,104	9,633
SCU HP	404	524	747	1,107	1,082	1,398
SCU LP	313	424	478	641	710	768
ACLEDA**	n/a	n/a	609	1,483	1,791	2,714
Total, all 5 FSPs	***7,714***	***9,161***	***10,606***	***15,515***	***24,325***	***23,919***

* EMI registered a peak in borrowers in 2014, but due to fraud cases discovered in 2015 at three branches (and involving seven staff), around one-quarter of the 2014 borrowers were 'ghost' borrowers. The number of borrowers (including only 'real' borrowers) hence decreased in 2015.

* ACLEDA figures only include borrowers (regardless of account balance) with the five service units established with MicroLead funding.



Annex 16: Achievement of PBA Targets – ACLEDA

PBA targets	ACLEDA, December 2014	ACLEDA, December 2015*
Number of (active) borrowers	***18,685***	***32,921***
Minimum target	25,312	n/a
Proposed target	28,792	n/a
% of women borrowers	***49%***	***50%***
Minimum target	56%	n/a
Proposed target	60%	n/a
Number of (active) microborrowers (<1,500 USD)	***8,708***	***18,475***
Minimum target	12,940	n/a
Proposed target	14,014	n/a
% of rural borrowers	***53%***	***42%***
Minimum target	90%	n/a
Proposed target	92%	n/a
Number of (active) depositors	***45,310***	***62,201***
Minimum target	39,189	n/a
Proposed target	46,105	n/a
% of women depositors	***38%***	***55%***
Minimum target	60%	n/a
Proposed target	65%	n/a
Number of (active) microdepositors (<1,500 USD)	***26,246***	***43,544***
Minimum target	22,723	n/a
Proposed target	26,734	n/a
% of rural depositors	***59%***	***65%***
Minimum target	65%	n/a
Proposed target	70%	n/a
Gross loan portfolio (USD), microloans (<1,500 USD)	***2,672,514***	***6,885,755***
Minimum target	12,554,937	n/a
Proposed target	14,054,935	n/a
Portfolio at risk >30 days **	***4.5%***	***1.9%***
Minimum target	1.7%	n/a
Proposed target	1.5%	n/a
Return on assets (including donations) ***	***-2.3%***	***-1.1%***
Minimum target	2.8%	n/a
Proposed target	3.2%	n/a
% of local staff in senior management	***10%***	***10%***
Minimum target	70%	n/a
Proposed target	80%	n/a
% of women staff in senior management	***4%***	***4%***
Minimum target	20%	n/a
Proposed target	20%	n/a
% women in Board of Directors	***0%***	***0%***
Minimum target	29%	n/a
Proposed target	29%	n/a

* 2015 performance set in relation to 2014 target.

** While PAR30 dropped from 4.5% to 1.9% in 2015, ACLEDA posted a write-off ratio of 2.9% in 2015, so total credit risk (PAR30 + write-off ratio) was 4.8%.

*** Removing income from donations as part of the ROA calculation, ACLEDA's performance in terms of profitability is even lower.

Proposed target reached	
Only minimum target reached	
Neither target reached	

Note:

LAK/USD exchange rate from Oanda.com.

Annex 17: Achievement of PBA Targets - MFA

PBA targets	2013	2014	2015
% of FSPs with assets >LAK 1 billion contributing financially to MFA & attending quarterly meetings	***58%***	***62%***	***73%***
Minimum primary target	baseline	60%	70%
Proposed primary target		68%	78%
MFA core cost recovery ratio*	***15%***	***40%***	***41%***
Minimum primary target	baseline	20%	35%
Proposed primary target		25%	40%
% of FSPs with assets >LAK 1 billion publicly disclosing their financial data**	***34%***	***46%***	***69%***
Minimum secondary target	baseline	40%	50%
Proposed secondary target		44%	54%

* (Member fee/member/training contribution/service charge from donors/services provided training/preparation of staff handbook) / (Office operating expenses + Personnel costs)

** Either on MixMarket and/or national website (their own or the one of MFA).

Proposed target reached	(green)
Only minimum target reached	(light green)
Neither target reached	(red)

Annex 18: Achievement of PBA Targets - MFC

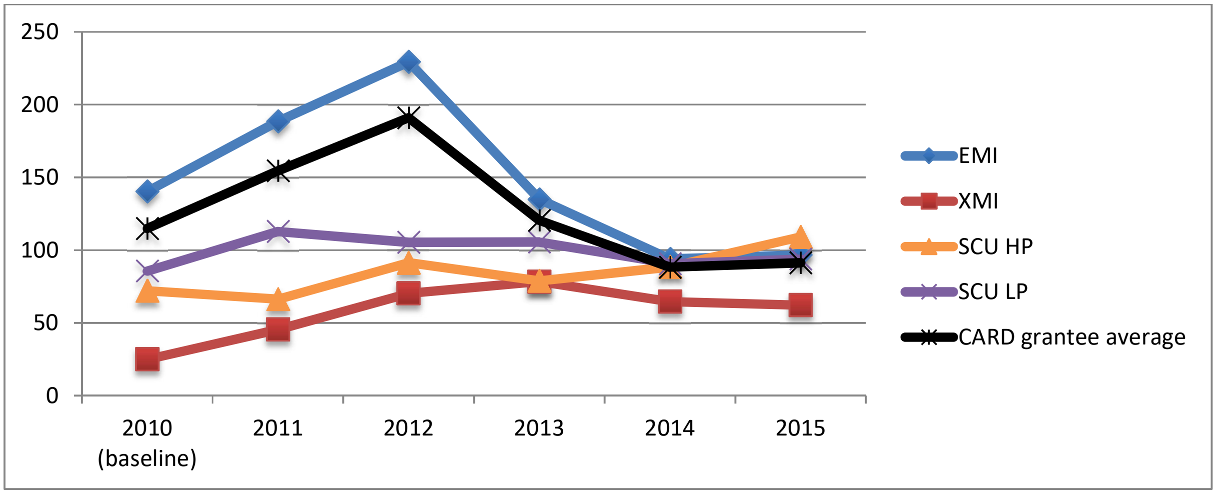
PBA targets	2010	2011	2012	2013	2014	2015
# of trainings conducted	***19***	***24***	***16***	***31***	***26***	***17***
Minimum target	baseline	n/a	10	12	14	16
Maximum target			13	15	18	20
# of new training modules developed	***5***	***3***	***4***	***5***	***6***	***3***
Minimum target	baseline	n/a	n/a	n/a	n/a	n/a
Maximum target			2	2	3	3
# of institutions served	***42***	***38***	***101****	***45***	***47***	***16***
Minimum target	baseline	n/a	18	18	24	24
Maximum target			25	25	30	30
OSS	***113%***	***101%***	***103%***	***116%***	***72%***	***79%***
Minimum target	baseline	n/a	105%	108%	88%	88%
Maximum target			84%	86%	110%	110%

* Possible error in CARD reporting.

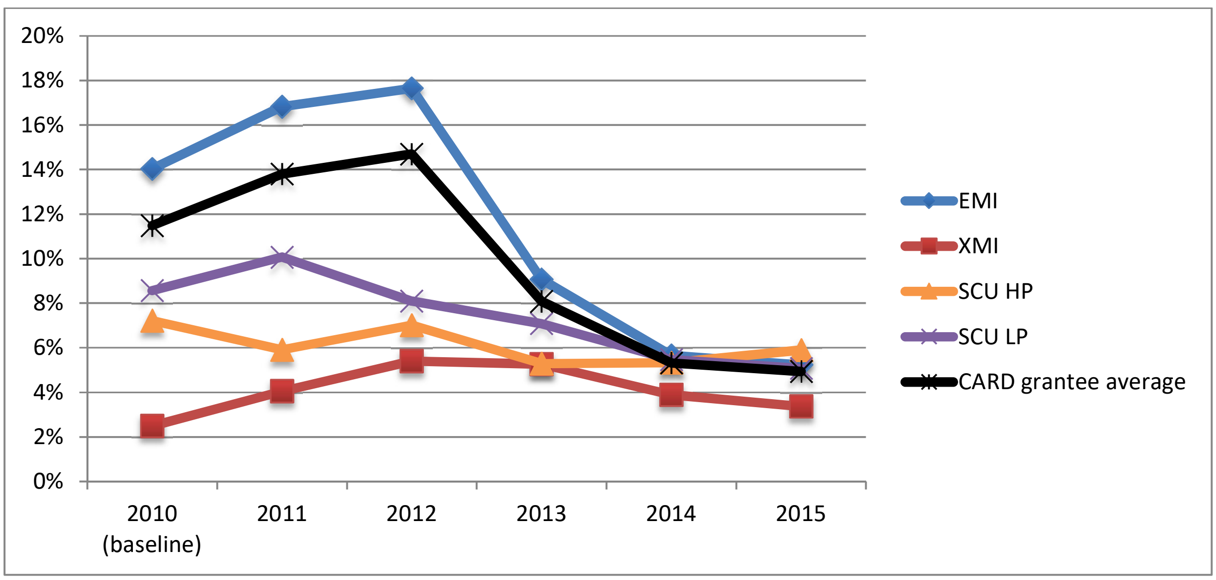
Maximum target reached	(green)
Only minimum target reached	(light green)
Neither target reached	(red)

Annex 19: Average Outstanding Savings/Credit Balance – EMI, XMI, SCU HP, and SCU LP

Average outstanding savings size (USD)



Average outstanding savings size (% of GNI per capita)



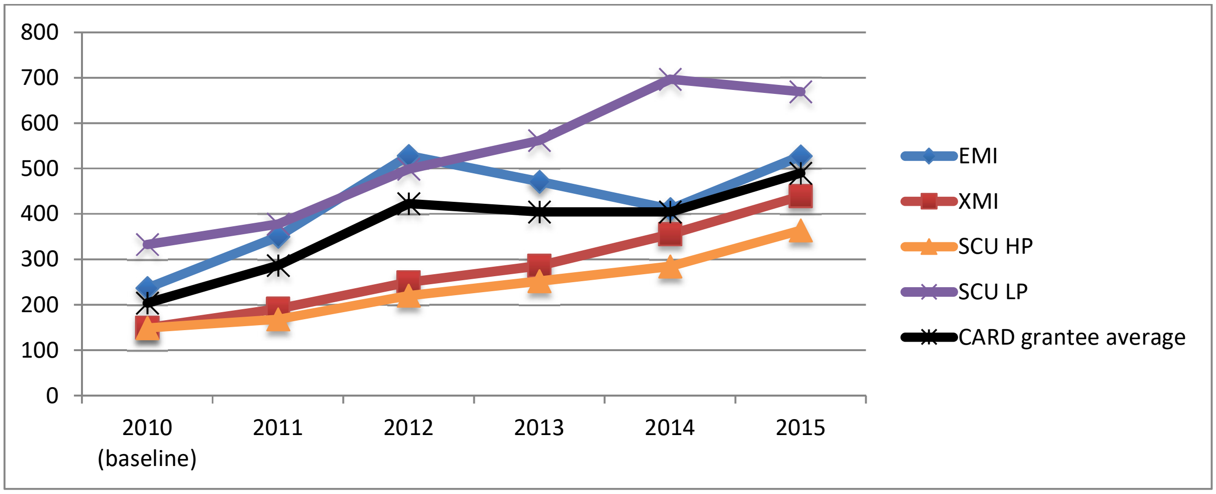
Notes:

CARD grantee average is the weighted average corresponding to the outstanding savings amount of each FSP.

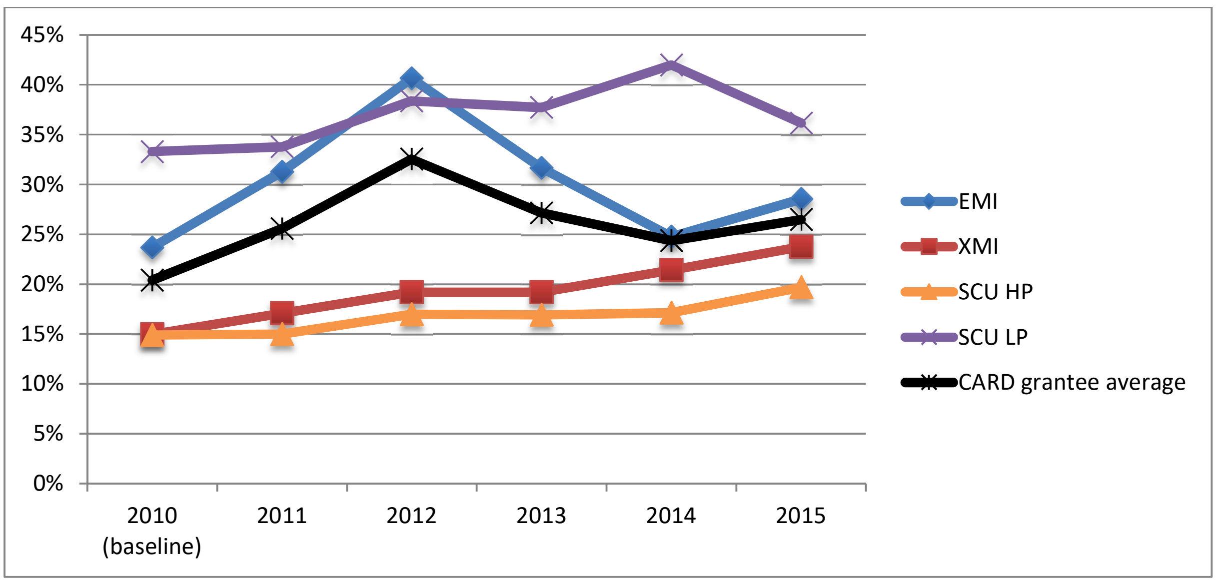
GNI per capita (Atlas method) from World Development Indicators, World Bank. 2015 estimate is predicted based on the increase between 2013 and 2014.

LAK/USD exchange rate from Oanda.com.

Average outstanding loan size (USD)



Average outstanding loan size (% of GNI per capita)



Notes:

CARD grantee average is the weighted average corresponding to the outstanding credit amount of each FSP.

GNI per capita (Atlas method) from World Development Indicators, World Bank. 2015 estimate is predicted based on the increase between 2013 and 2014.

LAK/USD exchange rate from Oanda.com.

Annex 20: Percentage of Rural Clients – EMI, XMI, SCU HP, and SCU LP

Rural clients (% of total)	2010 (baseline)	2011	2012	2013	2014	2015
EMI*	-	-	-	-	81.6%	25.0%
XMI	-	-	-	89.6%	71.3%	65.8%
SCU HP	18.7%	11.3%	8.2%	6.6%	7.7%	8.0%
SCU LP	80.4%	62.8%	53.3%	27.5%	18.6%	21.8%
CARD grantees average*	***55.1%***	***42.8%***	***29.2%***	***58.5%***	***72.3%***	***30.9%***

* Percentage rural borrowers indicated for 2014, and percentage rural depositors for 2015.

** Weighted average based on the corresponding outstanding savings amount of each FSP.

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