Access to Finance for the Poor (AFP)

Report on project progress

Annual Microfinance Stakeholder Forum 2013/14

Thorsten Fuchs
Programme Director

April 8, 2014
Table of Contents

❖ Project design and targets
❖ Activities and Results
  ❖ Micro Level (Villages)
  ❖ Meso Level (Provinces and districts)
  ❖ Macro Level (National)
❖ Challenges and fields of improvement
❖ The Road Ahead
Project design and targets

**MACRO LEVEL**

BoL: Regulation & Supervision (Microfinance)

**MESO LEVEL**

Network Support Organizations (NSO) for Village Banks

**MICRO LEVEL**

Monthly support and capacity building for village banks in 6 provinces (21 districts) of Lao PDR

Project target:
Poor households have better access to sustainable financial services.
### Micro level - Facts & Figures - Program outreach

<table>
<thead>
<tr>
<th>Province Data</th>
<th>Attapeu</th>
<th>SAY - Hongsa</th>
<th>SAY - Khop</th>
<th>Luang Namtha</th>
<th>SVK-Vilabouli</th>
<th>SVK-Sepon Phin</th>
<th>Champ-passak</th>
<th>Salavan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of VBs</td>
<td>56</td>
<td>45</td>
<td>42</td>
<td>101</td>
<td>41</td>
<td>8</td>
<td>40</td>
<td>21</td>
<td>354</td>
</tr>
<tr>
<td>No. of VB member accounts</td>
<td>4,342</td>
<td>4,605</td>
<td>4,746</td>
<td>7,263</td>
<td>2,236</td>
<td>511</td>
<td>3,030</td>
<td>1,692</td>
<td>28,425</td>
</tr>
<tr>
<td>VB member savings (in mn kip)</td>
<td>2,714</td>
<td>2,948</td>
<td>1,451</td>
<td>6,458</td>
<td>2,065</td>
<td>61</td>
<td>685</td>
<td>175</td>
<td>16,556</td>
</tr>
<tr>
<td>Loan Gross Portfolio (in mn kip)</td>
<td>2,630</td>
<td>3,498</td>
<td>1,837</td>
<td>8,277</td>
<td>1,544</td>
<td>2</td>
<td>616</td>
<td>80</td>
<td>18,484</td>
</tr>
</tbody>
</table>

Data as of: 28/02/2014
Micro level - Where we are working:

<table>
<thead>
<tr>
<th>Province</th>
<th>Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luang Namtha</td>
<td>3</td>
</tr>
<tr>
<td>SAY - Khob</td>
<td>2</td>
</tr>
<tr>
<td>SAY - Hongsa</td>
<td>4</td>
</tr>
<tr>
<td>SVK - Vilabouly</td>
<td>1</td>
</tr>
<tr>
<td>SVK - Sepon/Phin</td>
<td>2</td>
</tr>
<tr>
<td>Salavan</td>
<td>2</td>
</tr>
<tr>
<td>Attapeu</td>
<td>5</td>
</tr>
<tr>
<td>Champassak</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
</tr>
</tbody>
</table>

08.04.2014
Annual Microfinance Stakeholder Forum Lao PDR 2014
Micro level – Accumulated savings in VBs – Development 2011 - 2013:

<table>
<thead>
<tr>
<th>Growth in</th>
<th>Growth rate</th>
<th>Growth in LAK</th>
<th>(in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>73.7%</td>
<td>2,388,310,850</td>
<td>223,207</td>
</tr>
<tr>
<td>2012</td>
<td>47.6%</td>
<td>2,680,234,716</td>
<td>250,489</td>
</tr>
<tr>
<td>2013</td>
<td>73.6%</td>
<td>6,118,770,005</td>
<td>571,848</td>
</tr>
</tbody>
</table>
Micro level – main activities 2013

Project expansion to
• Soukhouma/ Mounlapamok (Champassak)
• Salavan, Lao Ngam (Salavan)
• Sepon / Phin (Savannaketh, 01/2014)
Micro level – main activities 2013

Extensive capacity development

- More than 3,000 participant days/ quarter
- Class-room trainings for VBC
- Peer-to-Peer experiences for VBC
- Financial Literacy for villagers
- …and much more…
Meso level – Our approach

Network Support Organization (NSO)
Licensed as MFI, supports VBs

1. Monthly support
2. Liquidity management between village banks
3. MF-business for retail clients

- Service fee
- Village Bank 1
- Village Bank 2
- Village Bank 3

40 – 100 Village Banks per NSO
Meso level – Aiming for sustainable institutions

- Current sustainability ratios of network support organizations

<table>
<thead>
<tr>
<th>OSS-ratio</th>
<th>Expenses 2013</th>
<th>Income 2012</th>
<th>Income growth 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAY-Hongsa</td>
<td>101% 464,699,000</td>
<td>468,835,038</td>
<td>356,605,000 31%</td>
</tr>
<tr>
<td>SAY-Khop</td>
<td>100% 368,743,630</td>
<td>369,142,000</td>
<td>190,921,000 93%</td>
</tr>
<tr>
<td>LNT</td>
<td>63% 615,033,750</td>
<td>387,753,058</td>
<td>174,646,500 122%</td>
</tr>
<tr>
<td>Vilabouly</td>
<td>29% 404,710,500</td>
<td>115,446,388</td>
<td>37,301,263 209%</td>
</tr>
<tr>
<td>ATT</td>
<td>25% 557,738,000</td>
<td>137,800,780</td>
<td>66,185,500 108%</td>
</tr>
</tbody>
</table>
Meso level – main activities capacity development 2013

- Trainings to Board of Directors of NSOs
  - Credit management
  - Internal control

- Leadership trainings for NSO Manager and Deputy Manager

- Daily on the job training for all NSO staff by national and international advisors

08.04.2014  Annual Microfinance Stakeholder Forum Lao PDR 2014  Seite 13
# Macro level – main activities

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Supervision</th>
<th>Financial literacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Support to BoL in setting up the ‘Implementing guidelines’ for the prime ministerial decree No. 460</td>
<td>- Support in setting up the supervision software FinA and expanding to several institutional groups</td>
<td>- Study tour guided by Deputy Governor of BoL, Mr Sonexay Sithpaxay to Germany</td>
</tr>
<tr>
<td>- Study tour to Mongolia in Q1/2014</td>
<td>- Financed Oracle license to operate software</td>
<td>- BoL delegates participate in FinLit conference in Kuala Lumpur and Hongkong</td>
</tr>
</tbody>
</table>
### Macro level – Ongoing support

#### Reporting

- Financing and editorial guidance to 2-yearly report ‘Microfinance in Lao PDR’
- Support in setting up the first statistical report on microfinance

#### General capacity development

- Trainings for staff of the Bank of the Lao PDR
  - Accounting
  - English
- Financing of trainings from BoL to licensed institutions
  - Training on monthly reporting of financial figures to BoL
Challenges and fields of improvement - Micro

- Credit risk continuously reducing – but still a long way to go

% PaR of village banks in all provinces
Challenges and fields of improvement - Meso

- Substantial improvements needed to form sustainable institutions

Define standard operating procedures (SOP)

Professional risk management

Ensure that NSOs follow their mission

Operational and financially sustainable NSOs

Capacity development for all levels

Ongoing (daily) supervision

Control mechanism – internal and external
Challenges and fields of improvement - Macro

• AFP strategy on village banks and their network support organizations seems to be working – how can it be up-scaled from 21 districts to more provinces?

• More trainings for the microfinance institutes and savings and credit unions needed to fully comply with BoL reporting requirements.

• Implementing guidelines to the microfinance decree to be finalized

• Financial literacy and consumer protection – Incorporate information from micro- and meso-level into national level regulation and procedures.
The Road Ahead

- Funding from Australian Aid secured until 06/2016
- Funding extension until 11/2017 from German Government expected in Government negotiations in May 2014
- Additional funds from MMG LXML currently rather unlikely

<table>
<thead>
<tr>
<th>Micro / VB</th>
<th>Meso / NSO</th>
<th>Macro / BoL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open additional village banks</td>
<td>Professionalize operations:</td>
<td>National financial literacy strategy</td>
</tr>
<tr>
<td>Enhance credit &amp; delinquency</td>
<td>BoD capable of governance</td>
<td>Consumer Protection embedded in regulation &amp;</td>
</tr>
<tr>
<td>management</td>
<td>Better planning and analysis</td>
<td>supervision</td>
</tr>
<tr>
<td>More and better products/services</td>
<td>More products</td>
<td>National strategy for village banks</td>
</tr>
<tr>
<td>Financial literacy trainings</td>
<td>Better risk management</td>
<td></td>
</tr>
</tbody>
</table>
Thank you for your attention!

As a federal enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development.

**Published by**
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Registered offices, Bonn and Eschborn, Germany
Access to Finance for the Poor (AFP)
Bank of the Lao PDR
Ban Xieng Yeun, Yonnet Road, Vientiane Capital
Lao PDR
P.O. Box: 563

**T** +856 21 217 880
**F** +856 21 212 487
**E** Thorsten.Fuchs@giz.de
**I** [www.giz.de](http://www.giz.de)

**Responsible**
Thorsten Fuchs, Program Director

**Author(s)**
Thorsten Fuchs

**Photo credits**
© GIZ/privat

In cooperation with and supported by:

[Logos of Australian Aid, MMG, and LXML SEPON]