



Poverty Reduction INFUSE Programme



Empowered lives.
Resilient nations.

Background

People, rich and poor, everywhere need a diverse range of financial services to run their businesses, build assets, and manage risks or emergencies. People need access to such basic financial services as savings, loans, money transfer services and insurance. The poor and low-income population ("Bottom of the Pyramid" (BOP)) use these services for investment in their businesses and also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs.

The Bottom of the Pyramid in Timor-Leste is largely excluded from access to financial services, which are overwhelmingly concentrated in the capital city, Dili, and thus is the core target market for the development of an inclusive financial sector.



Duration 2008 - 2013	Budget (US\$) \$5,365,174
Location National	Sources of Funding \$ 500,000 - UNDP Core Resources \$ 1,550,000 - UN Capital Development Fund \$ 2,315,174 - AusAID \$ 1,000,000 - Government of Timor-Leste
Partners Ministry of Commerce, Industry and Environment	

Programme Overview

The objective of INFUSE programme is to increase access to financial services by the poor and low-income population, both male and female. INFUSE focuses on increasing access to sustainable financial services, while taking a sector-wide approach in addressing these issues. In order to achieve this goal, INFUSE delivers the following three key outputs:

- Policy development and strategic coordination to enhance the enabling environment;
- Facilitation of the growth and long-term sustainability of the retail financial service providers, so that they can increase their outreach to poor and low-income people; and
- Development of financial business support infrastructure (credit registry, audit, information technology, innovative technology).

The Pacific Financial Inclusion Programme (PFIP) helps oversee the implementation of the INFUSE Programme through provision of administrative support and technical expertise.

Fund for Inclusive Finance (FIF)

The purpose of the FIF is to support Financial Service Providers (FSPs: microfinance institutions (MFIs), non-bank financial institutions, commercial banks, credit unions, etc.) that serve the poor and low-income population at the community level.

FSPs are supported with appropriate grants and loan funds, technical assistance and training, to enable them to increase outreach and ensure sustainability

within a competitive environment. The structure of the FIF is as follows:

The Management Committee for Inclusive Finance (MCIF) oversees the Fund: it decides the terms of reference of the FIF, criteria for selecting applications from FSPs and business support providers, monitor the performance of the FIF, etc.

The FSPs have equitable access to a broad range of funding through the FIF. Applications are selected competitively, based on "industry best practice and principles", sound business plans, and agreed performance criteria and targets.

Linkage between FIF and Bottom of Pyramid

The FIF supports FSPs to increase access by all bankable people such as the poor and low-income households, self-help groups (SHGs) and micro enterprises to appropriate financial services. The FIF supports FSPs to develop additional services such as microinsurance, money transfer, remittance, mortgage, pensions, leasing and factoring on top of traditional savings and credit.

Those at the Bottom of the Pyramid in Timor-Leste are the ultimate beneficiaries of the programme, whose access to a broader range of sustainable and appropriate financial services will increase, to develop their income-generating activities and to protect themselves and their assets from life hazards.



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Stakeholders

The Ministry Commerce, Industry and Environment (MCIE) is the government counterpart of INFUSE programme. The government representation facilitates the formulation of a national policy/vision statement on Inclusive Finance, and chairs the MCIF.

The Banco Central of Timor-Leste (BCTL) is a key stakeholder and INFUSE collaborates with BCTL to draft, review and consult relevant legislation as needed for the development of an inclusive financial sector. BCTL also serves as an observer to the MCIF for the FIF, playing a key role to ensure that investments are aligned with government policy.

INFUSE collaborates and coordinates with all stakeholders involved or interested in the development of an inclusive financial sector. This includes multilaterals, relevant government Departments, as well as NGOs, donors and/or private sector players.

A range of potential FSPs may seek funding support from the FIF.

Major achievements so far

- Several rounds of technical assistance to BCTL resulting in a specific regulation for 2nd tier financial institutions below the commercial banks, labeled Other Deposit Taking Institutions (ODTIs), with the development of the corresponding licensing and supervision framework.
- Active support of 2 MFIs – Moris Rasik and Tuba Rai Metin – in 3-year performance-based agreements, building up their institutional capacity and their financial and social performances. These two institutions combined serve 19,253 low-income clients with credit and savings services. Of those, 91% of borrowers and 99% of savers are women.
- Successful launch of the first-ever microinsurance product in Timor-Leste—INFUSE facilitated a partnership between a registered, local insurance company – NITL – and the 2 above MFIs to provide insurance to all their clients. The first product is a “credit life plus” product, which cancels the loan balance of a borrower in the event that she dies, but also pays an added benefit to the family if either the borrower or her spouse dies. INFUSE is exploring other products and partnerships to increase insurance coverage to build resilience of low-income people in country.
- Active supporting donor coordination in country to increase aid efficiency and knowledge of financial services access in Timor-Leste. INFUSE has been active in various coordination and research efforts, including the Financial Services Mapping programme and research on mobile money and branchless banking.

- With the National Labor Force Development Institute created and achieved approval of an outline of learning guides and training modules for a microfinance and banking competency certificate, which can be used to increase capacity of local labor force entering into the financial services industry.

- In the pipeline: poverty scoring tool for the MFIs to check alignment with their mission of poverty eradication, encouraging branchless banking solutions, formulation of a national financial inclusion strategy with a significant financial literacy component.



Timorese Female Entrepreneur
Photo courtesy of project team

For more information please contact

Cedric Javary

Inclusive Finance Chief Technical Advisor
cedric.javary@uncdf.org

Visit the website:

<http://www.pfip.org/infuse>

