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Mid-Year Report 2011

Inclusive Finance for Under-Served Economy

**(INFUSE)**

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| **UNDP Code:** | **00061961** |
| **UNCDF Codes:** | **00062359**  **00072424** |

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Period covered: January - June 2011

Report Date: January 2012

**Report Cover PaGE**

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| --- | --- | --- |
| Programme Title & Number |  | Country, Locality(s), Thematic Area(s)[[1]](#footnote-1) |
| * Programme Title: Inclusive Finance for the Under-served Economy (INFUSE) * Programme Number  UNDP: 00050242 (Award ID), 00061961(Project ID) UNCDF- Core: 00050456 (Award ID), 00062359 (Project ID)  UNCDF-GoTL: 00058333 (Award ID), 00072424 (Project ID)  AusAID: 00060350 (Award ID), 00075947 (Project)   * MDTF Office Atlas Number:   00055655 (Award ID), 00067655 (Project ID) | Timor-Leste, Inclusive Finance |

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| --- | --- | --- |
| Participating Organization(s) |  | Implementing Partners |
| * United Nations Capital Development Fund (UNCDF) * United Nations Development Programme (UNDP) * Australian Agency for International Development (AusAID) * Ministry of Economy and Development (MoED) / Government of Timor-Leste | * United Nations Capital Development Fund (UNCDF) * United Nations Development Programme (UNDP) |

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| --- | --- | --- | --- | --- |
| Programme/Project Cost (US$) | |  | Programme Duration (months) | |
| MDTF Fund Contribution:   * *by Agency (if applicable)* |  |  | Overall Duration | 2008 - 2012 |
| Agency Contribution   * *by Agency (if applicable)* | UNCDF: US$ 1,550,000  UNDP: US$ 500,000 |  | Start Date[[2]](#footnote-2) | 27 August 2010 |
| Government Contribution  *(if applicable)* | GoTL:  US$1,000,000 |  | End Date or Revised End Date,  *(if applicable)* | December 31st 2012 |
| Other Contribution (donor) [[3]](#footnote-3)  *(if applicable)* | AusAID: $2.450,000 |  | Operational Closure Date[[4]](#footnote-4) | December 31st 2012 |
| TOTAL: | 5,500,000 |  | Expected Financial Closure Date | 31st –December, 2013 |

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| Programme Assessments/Mid-Term Evaluation |  | Submitted By |
| Assessment Completed - if applicable *please attach*  Yes No Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Mid-Evaluation Report *– if applicable please attach*  X Yes No Date: August, 2010 | * Name: Cedric Javary * Title: Chief Technical Advisor * Participating Organization (Lead): UNCDF * Email address: cedric.javary@uncdf.org |

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| --- | --- |
| **Abbreviations and Acronyms** | |
| ADB | Asian Development Bank |
| AFI | Alliance for Financial Inclusion |
| AMFITIL | Association of Microfinance Institutions of Timor-Leste |
| AusAID | Australian Agency for International Development |
| BASIX | Bhartiya Samruddhi Investments and Consulting Services Ltd. |
| BCTL | Banco Central de Timor-Leste |
| BPA | Banking and Payments Authority |
| CGAP | Consultative Group for Assistance to the Poorest |
| CTA | Chief Technical Adviser |
| CUFA | Credit Union Foundation of Australia |
| DNC | National Directorate of Cooperatives |
| FHM | Federasaun Hanai Malu (Federation of Savings and Credit Cooperatives) |
| FSPs | Financial Services Providers |
| FSS | Financial Self-sufficiency ratio |
| GoTL | Government of Timor-Leste |
| HR | Human resources |
| IFC | International Finance Corporation |
| IMfTL | Instituicao de Microfinancas de Timor-Leste |
| INFUSE | Inclusive Finance for the Under-Served Economy |
| INDMO | Institusaun Nacional Desenvolvimento Maun d’Obre / National Labor Force Development Institute |
| MC | Mercy Corps |
| MCIF | Management Committee for Inclusive Finance |
| MCRIL | MicroRating International (microfinance rating agency) |
| MDG(s) | Millennium Development Goal(s) |
| MDTF | Multi-donor Trust Fund |
| MF | Microfinance |
| MFIs | Microfinance Institutions |
| MIS | Management Information System |
| MoED | Ministry of Economy and Development |
| MR | Moris Rasik |
| NITL | National Insurance of Timor-Leste |
| NGO | Non-Government Organization |
| NPWG | National Priority Working Group |
| ODTI | Other Deposit-Taking Institution |
| PAR | Portfolio at Risk |
| PBAs | Performance Based Agreements |
| PIU | Program Implementation Unit |
| PFIP | Pacific Financial Inclusion Program |
| PPI | Progress out of Poverty Index |
| TA | Technical Assistance/Assistant |
| PMI | Pacific Microfinance Intitiative |
| TRM | Tuba Rai Metin |
| TSPs | Technical Service Providers |
| UNCDF | United Nations Capital Development Fund |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Program |
| USAID | United States Agency for International Development |
| WEAL | World Education Australia Limited |

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ANNUAL NARRATIVE PROGRESS REPORT OF THE INCLUSIVE FINANCE for the UNDER‐SERVED ECONOMY [INFUSE] PROGRAM

# Purpose

The overall goal of the Inclusive Finance for the Underserved Economy (INFUSE) Program is to contribute to the achievement of the Millennium Development Goals (MDGs), in particular Goal 1 of cutting absolute poverty in Timor-Leste by one third by 2015, through increasing sustainable access to financial services for poor and low-income people, both women and men. The program utilizes a sector-wide approach to building an inclusive financial sector, focusing on addressing gaps and impediments at the retail (micro-), infrastructure (meso-), and legal and regulatory (macro-) levels.

At the end of program implementation, INFUSE aims to achieve the above goal through the following outputs:

* Output 1:Policy development and strategic coordination to enhance the enabling environment
* Output 2: Facilitation of the growth and long-term sustainability of the retail financial service providers (FSPs), so that they can increase their outreach to poor and low-income people; and
* Output 3: Development of financial business support infrastructure (credit registry, audit, information technology, innovative technology, etc.).

INFUSE Program in relation with UNDAF

The expected outcome of the program is that vulnerable groups will have improved access to sustainable financial services. This is consistent with the UN Development Assistance Framework (UNDAF) Outcome 2: By 2013, vulnerable groups experience significant improvement in sustainable livelihoods, poverty reduction and disaster risk management within an overarching crisis preventions and recovery context. The program specifically relates to UNDAF sub-outcome 2.1.5: Microfinance institutions are capacitated to increase outreach to the low income populations.

INFUSE objectives are also linked to the following Outcome and Output of UNDP Country Program (2009 – 13) in Timor-Leste:

* Country Programme Outcome 3: Vulnerable groups have improved access to livelihoods
* Country Programme Output 3.1: Rural communities have microenterprises through improved access to microfinance and markets.

INFUSE Program in relation with Government of Timor Leste (GoTL) National Plans and Priorities

INFUSE objectives were incorporated into the Government of Timor-Leste’s National Priorities 2011 framework, specifically within the National Priority # 2: Rural Development (Food and Nutrition Security and Sustainable Economic Development**)**. The relevant objective during 2011 is to deliver support to FSPs to increase access to microfinance services by an additional 10,000 clients, of which at least 50% are women, and increase diversity of financial products and services available.

# Resources

## Financial Resources:

INFUSE was incepted as a GoTL-UNCDF-UNDP partnership with a programmed budget of US$ 5 million, including initial funding of US$1,050,000 from UNCDF and $500,000 from UNDP. At the end of June 2011, the program is funded by UNCDF, UNDP, the GoTL through the budget of the Ministry of Economy and Development (MoED) and the Australian Agency for International Development (AusAID). UNCDF has agreed to an increase in their contribution by USD0.5 million, which now takes their total contribution to USD1, 550,000. Respective contributions are listed below in Table 1 displaying the annual budget and financial contribution from donors (actual through 2011 and proposed for 2012).

Table 1: Yearly Financial Contribution by Donor

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Funding Source** | **2008** | **2009** | **2010** | **2011** | **2012** | **Total  Contribution (USD)** |
| UNCDF \* | 190,053 | 110,007 | 599,536 | 385,694 | 264,711 | 1,550,000 |
| UNDP | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 500,000 |
| MoED |  | 300,000 | 200,000 | 200,000 | 300,000 | 1,000,000 |
| AusAID |  |  | 732,934 | 848,665 | 733,575 | 2,315,174 |
| To be mobilized |  |  |  | 134,826 |  | 134,826 |
| **TOTAL BUDGET** | **290,053** | **510,007** | **1,632,470** | **1,669,185** | **1,398,286** | **5,500,000** |
| \* UNCDF Contribution to be increased in 2012 by USD0.5m | | | |  |  |  |

## Budget Approvals

The 2011 annual budget and work plan was approved by the Management Committee for Inclusive Finance (MCIF) in May 2011.

## Funding Mobilization***:***

* Negotiations with USAID were ceased during transition of the in-country resident representative. In 2012, INFUSE will again reach out to the new USAID team country team.
* Request was initiated with AusAID to seek additional contributions to allow the INFUSE program to be extended through 2013 or beyond.

## Financial & Procurement Processes

* Turnaround time for administrative and finance/budget processing continues to be lengthy, and require persistent follow-up, sometimes up to several months to process a payment.
* Procurement of consultant services continues to experience delays and hinder program implementation. This weakness was sited in the Mid Term Evaluation and also has been listed by AusAID as a concern for further funding.

## Human Resources:

During the first half of 2011, the INFUSE program implementation unit (PIU) comprised the following staff:

* The expatriate Chief Technical Advisor (CTA) whose contract expired 31 December 2010 reapplied for the lead position and was rehired in March 2011. The contract conversion assigned a new title of Technical Specialist (P4 level). The position was vacant from December through February.
* The expatriate UNV/Programme Officer’s contract will end in early August and her work is planned to be taken over by a newly recruited expatriate Technical Specialist (P3 level).
* The National Programme Officer contract will end in July and it’s anticipated that he will not renew. Recruitment for this position will resume to identify a candidate with a more appropriate level of skills. Recruitment for national staff with relevant level of skills, qualifications, and experience remains challenging in Timor.
* The National Administration/Finance Associate resumed work in January after a four month leave of absence. She notified of her resignation to be effective as August. Recruitment of this position will be done as soon as possible.
* The National Driver/Clerk became seriously ill in June and may need to be replaced.

In addition, the program receives support from the following:

* Technical oversight and guidance to the Programme was provided by an UNCDF Regional Technical Advisor based at the Pacific Financial Inclusion Programme (PFIP) in Suva, Fiji.
* A INFUSE part-time Deputy Program Manager (based in the PFIP office) provided considerable support on finance and operations.

# Implementation and Monitoring Arrangements

## Program Implementation

INFUSE is an UNCDF-led program implemented jointly with UNDP. UNDP‐Timor Leste, the Administrative Agent, is established in country with support units (HR, procurement, etc.) that the INFUSE Program Implementation Unit (PIU) accesses. UNCDF provides technical assistance and manages the program. In order to harmonize funding and ensure effective co‐ordination in program implementation, both UNCDF and UNDP roles in the program are outlined according to regulations defined by the 2003 UN Development Group Guidance Note on Joint Programming with further clarification in the UNCDF-UNDP Guidance Note dated 2 November 2007. In the course of implementation of this program, and in monitoring and reporting on progress, UNCDF, UNDP and other future associated UN agencies will collaborate according to these Joint Programme regulations and Standard Administrative Agreements already in place.

Although each of the implementing agencies have their own roles in the implementation of the Joint Programme as governed by these aforementioned guidance notes, each of the agencies will have to agree and understand that the administration of this program shall be governed by UNDP rules and regulations, which UNCDF also adopts, as defined in the Resource Management Guide within the policy context defined by the Executive Board.

The MCIF, comprising donors to the Programme[[5]](#footnote-5), oversees the INFUSE Fund for Inclusive Finance. The MCIF meets biannually to approve funding of specific activities that promote inclusive finance through using a variety of funding mechanisms including grants, loans, and direct procured technical assistance. This flexibility allows for the PIU to accept proposals, develop partnerships, and identify needs for targeted technical assistance. And it engages the MCIF to evaluate and provide feedback on program activities.

## Monitoring and Evaluation

Monitoring is conducted at two levels: program progress is monitored by UNCDF, UNDP and the MCIF; and the PIU monitors progress of partners and activities. The following monitoring mechanisms are in place.

* On a biannual basis, program progress is reported against pre-determined target outputs and activities, and challenges and issues are identified in these consolidated reports. These reports, which includes a narrative and financial component, is prepared and shared with INFUSE donors and contains information on the achievements, challenges and lessons learned during the year.
* The MCIF is responsible for monitoring programme progress at bi-annual meetings. The last one occurred in May 2011.
* The INFUSE PIU monitors recipients of grant funding and loan capital against specific targets, disbursement conditions and reporting requirements outlined in the Performance Based Agreements (PBAs) with FSPs and Technical Service Providers (TSPs). All supported FSPs report on a quarterly basis adhering to the UNCDF standard requirements and formats for Inclusive Finance.
* The mid-term evaluation of INFUSE took place in August 2010. The main objectives were to: evaluate Programme performance thus far against its stated objectives and make recommendations to improve implementation going forward; and to assess Programme performance against the UNCDF’s global corporate strategy objectives and draw lessons to inform UNCDF’s future strategy debates. The report was finalized in May 2011.

# Results

**OUTPUT 1: ACHIEVING A POLICY / VISION STATEMENT**

***A national policy/vision statement for inclusive finance is developed, consulted and adopted by GoTL, and enabling legislation is in place to support the expansion and consolidation of the financial sector. Coherent, effective and synergetic donor funding based on the national policy framework has been provided.***

*The following key activities implemented in support of Output 1 from January – June 2011:*

* INFUSE continued working to support the Banking and Payments Authority (BPA). INFUSE procured the services of a consulting firm to provide technical assistance to the BPA in development of the supervision regime for Other Deposit Taking Institutions (ODTIs.) The *Public Instruction No. 06/2010 On the Licensing and Supervision of ODTIs* requires that all existing MFIs to apply for a license in 2011. The BPA needs to develop the instruments and staff capacity to carry out its supervision responsibilities of this new financial entity.
* INFUSE sponsored two staff members of the BPA to attend a Pacific Regional Training for Supervision of MFIs organized by Alliance for Financial Inclusion (AFI) in April in Fiji (as an initial step to more tailored training directly with the BPA).
* INFUSE facilitated and managed an intern who provided support to the BPA as it transformed into the Central Bank of Timor-Leste (BCTL), particularly in preparation of the BCTL’s responsibility for supervision and regulation of the ODTIs.
* INFUSE continued its involvement in the GoTL National Priority Working Group (NPWG) to promote the importance of targeting financial inclusion. INFUSE participated in the NPWG meeting on 6 June, 2011. INFUSE contributed to the NPWG by reporting on achievement towards goals for access to financial services quarterly.

**OUTPUT 2: INCREASED OUTREACH OF SUSTAINABLE FINANCIAL SERVICES**

***Good practice-based Financial Services Providers (FSPs) serving primarily the poor and low-income market make progress towards sustainability and increase their outreach, while maintaining a high portfolio quality.***

*The following key activities implemented in support of Output 2 from January – June 2011:*

* At the May MCIF meeting, the detailed 2011 annual work plan was approved, which included several funding investments for FSPs and TSPs. Details of these investments are described below.
* Tuba Rai Metin (TRM): INFUSE provided a US$ 300,000 loan guarantee for TRM at ANZ bank. TRM had requested short-term support for loan capital to expand operations. A guarantee fund was preferred over a direct loan as it can help establish a relationship between TRM and ANZ, possibly resulting in an opportunity for TRM to secure future re-financing. The grant will be returned to INFUSE in January 2011.
* Moris Rasik (MR): INFUSE made a grant of US$ 84,00 for short-term transformation support to help MR meet the deadline issued by the BPA for application for an OTDI license. MR required the urgent legal and transformation support necessary to comply with the deadline.
* INFUSE continues to coordinate and monitor the MicroLead Program partnership between BASIX, the TSP, and TRM, meeting at minimum every two months to review the progress as per the 4.5 year detailed implementation plan.
* INFUSE continues to coordinate and monitor the World Education Australia Limited (WEAL)/MR grant for institutional capacity building, meeting at a minimum every two months to review the progress as per the 2 year detailed implementation plan.
* In its continued attempt to support the credit union movement, INFUSE participated in the Fedration Hana’i Malu (FHM) workshop in January 2011. The FHM was recently reformed in November 2010 with support from the Credit Union Foundation Australia (CUFA). At the meeting, the FHM developed a work plan for 2011 – 2014 to support the credit union movement and develop institutionally.
* In January, INFUSE received a written proposal for $2,200 to fund the credit union annual general meeting in February, but the proposal was not received with sufficient time for INFUSE to approve the disbursement.
* In May the MCIF approved $80,000 to support a microinsurance fellow to work with the National Insurance of Timor-Leste (NITL) develop and distributes microinsurance products, via INFUSE’s MFI partners (TRM and MR) as agents. Since receiving a license in April 2010, NITL expressed interest in developing microinsurance products and using MFIs as agents. Likewise, TRM and MR both expressed interest in provision of microinsurance to their clients, and doing so in collaboration with NITL. Technical support is required to facilitate development of a business model with NITL as the provider and the MFIs as agents including coordination of partner activities, research and development of the product/s, design of the delivery systems, training and capacity building, and support to pilot products.
* In April, INFUSE received, reviewed and approved a revised implementation plan from Mercy Corps (MC) for the development and implementation of a social performance measurement tool—i.e. the Grameen Foundation Progress out of Poverty (PPI) Tool which is internationally recognized, simple to use and non-proprietary. MC created memoranda of understanding to pilot this with TRM and MR so they can measure how well their products and services are reaching clients below selected poverty levels. By using the PPI over time, MFIs in Timor-Leste would be able to:
  + Better define and adhere to their missions;
  + Monitor the poverty status of their clients in order to better design and deliver appropriate financial products and services for the poor;
  + Increase their competitive edge, profitability, and ability to retain clients;
  + Provide timely and accurate information to investors.

*Monitoring of recipients of grant funding and loan capital January – June 2011:*

* As per the reporting requirements in the Performance Based Agreements (PBAs) for the grants and loans, both MR and TRM, complied with their submission of the following reports:
  + Submission of their 4th quarter and annual reports for 2010.
  + Submission of their 1st quarter report for 2011.
  + Posting of 2010 data on the Mix Market website.
  + TRM and MR submitted their 2010 audited financial statements.
* In April INFUSE and MC had a progress meeting to review advances in creation of the PPI.

Outreach

Table 2 below, presents the growth in total number of clients served by INFUSE’s partner financial service providers, MR and TRM.[[6]](#footnote-6)

Table 2: Growth in outreach of financial services for institutions serving the bottom end of the market:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Indicator | Number of Microfinance Clients (as at) | | | | Change in Client Numbers |
| 31-Dec-08 | 31-Dec-09 | 31-Dec-10 | 30-Jun-11 | 31 Dec 2008 - 31 Dec 2010 |
| Active Clients | 14,112 | 14,030 | 16,095 | 19,022 | 4,910 |
| Borrowers | 14,112 | 14,030 | 14,091 | 16,935 | 2,823 |
| Women Borrowers | 13,095 | 12,799 | 13,747 | 15,773 | 2,678 |
| Savers | 13,476 | 13,915 | 14,734 | 16,139 | 2,663 |
| Women Savers | 13,470 | 13,915 | 14,581 | 16,139 | 2,669 |

The project document highlights a cross-cutting issue of gender and requires that 50% of the clients served by grantees should be women. As of June 2011, women comprised approximately 93% of borrowers and 100% of savers at the MFIs supported by INFUSE. In addition, both MR and TRM were operationally self sufficient as at June 30, 2011, with PAR ratios below 5%.

**OUTPUT 3: PROMOTING A BUSINESS SERVICES INFRASTRUCTURE**

***Private and public business service providers offering high-quality and market-responsive services to the financial sector are available in Timor-Leste, and a professional microfinance association (AMFITIL) is effectively representing the industry in policy dialogues\*.***

\*UNCDF completed the original INFUSE program design in 2005 and revised the document after the 2006 civil unrest, which caused the cessation of many microfinance institutions. As a result, AMFITIL has been inactive since 2007 and currently the few remaining members (4) have resisted any encouragement to re-activate the association at this time. In May, 2011, it was proposed that since these indicators have become obsolete, they should be replaced with targets which reflect activities focused on strengthening sector support services.

## The following key activities implemented in support of Output 3 from January-June 2011:

MF/ Banking Certificate for Human Resource Development

* The report of a consultant hired to consult with the National Labor Force Development Institute (INDMO) as well as financial service providers in Timor-Leste and give recommendations for the development of certificates II and III in Microfinance and Banking was finalized. The broad goal of this activity is to address the lack of skilled human resources for the financial sector. Individual units were also finalized. The framework of competencies will be reviewed and submitted for approval to the INDMO Sub-Commission for Administration and Finance in the 4th quarter of 2011.
* In the May 2011 MCIF meeting, $250,000 was earmarked to procure an expert training service provider for phase two of the multi-phase consultancy to develop learning guides and training modules for the microfinance and banking competency certificate under the following conditions:
* The ‘keeper’ of the training guides/modules is defined so as to ensure continued access to them.
* The training tools will not be made proprietary to anyone, but will be available for use by any training service provider or financial service provider so that training may be conducted in-house by any financial service provider.
* The financial sector endorses the work.
  + A revised strategy to promote financial education was proposed and approved by the MCIF. INFUSE will promote financial education through implementation of discrete activities, including:
* Relevant research on level of financial competencies which will inform the development of financial competencies, which will inform the development of financial education activities, and will also be useful to advocate government, donors and other stakeholders to support/promote financial education.
* Development of social marketing tools to address priority needs through key messages (based on research findings.)

**ADDITIONAL ACTIVITIES**

Cash Distribution

* + INFUSE facilitated the work of an intern to conduct an assessment of the cash distribution mechanisms currently in use in the financial system in Timor-Leste, in order to identify the main challenges and propose solutions to minimize the risks/costs involved and extend the financial services in the underserved rural areas.
  + Worked together with the Ministry of Finance, ADB, and the Better Business Initiative (led by IFC) to assess whether and how government pension and social service payments could be delivered by electronic means, thereby reducing the cost of delivery while increasing speed and security. This will be a key step to expanding access to financial services for the rural Timorese who today expend considerable time and money collecting their payments.

# Work Plan 2011

*From July-December 2011, the following activities are planned under each of the following Outputs and will be approved by the MCIF in the next meeting:*

**OUTPUT 1: ACHIEVING A POLICY / VISION STATEMENT**

* INFUSE will procure technical assistance for the BPA to develop supervision guidelines and capacity build staff to assist with the implementation of the new OTDI instruction.
* INFUSE will coordinate with donors for the financial sector including IFC’s new Pacific Microfinance Initiative (PMI), and continue to seek additional funding to complete the INFUSE funding gap.

**OUTPUT 2: INCREASED OUTREACH OF SUSTAINABLE FINANCIAL SERVICES**

* Support to Moris Rasik and Tuba Rai Metin will continue as per the signed PBAs and may be expanded due to an increase in scope of capacity building needs stemming from their intentions to apply for an OTDI license.
* Support to Mercy Corps for development of the PPI tool will be ongoing through 2011.
* INFUSE will host (in partnership with NITL) an ILO/IIE fellow to work with MFIs to develop microinsurance products for Timor-Leste, as well as the appropriate staff and systems through which to sell them.

**OUTPUT 3: PROMOTING A BUSINESS SERVICES INFRASTRUCTURE**

* + - Support staff from the PFIP to conduct a scoping exercise to determine feasibility/interest in executing a base-line survey on financial competencies in order to inform future initiatives.
    - Translate the framework for the MF/banking training certificate program into Tetun. Work with INDMO to receive approval for the framework from the Steering Committee.
    - INFUSE will continue to explore ways to collaborate with stakeholders in support of development of mobile branchless banking innovations. In particular:
* INFUSE will support a consultancy funded by the ADB to develop a business case and model for the development of a third party payments and cash management provider tin the Timor-Leste
* To build on the ADB’s work and propose business models, INFUSE will support PFIP staff to conduct market research to inform and accelerate mobile money. Branchless banking deployments.

**NOTE: based on the final mid-term evaluation, revisions to some INFUSE program indicators, targets and activities were suggested at the May MCIF meeting. The proposed indicators are presented below, indicating the revisions. A final vote to accept or revise the indicators will be made at the next MCIF meeting, in September 2011.**

**VIII. INDICATOR BASED PERFORMANCE ASSESSMENT**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Expected Outcome** | **Vulnerable groups will have improved access to sustainable financial services.** | | | | | |
|  | **Perfor-mance**  **Indi-cators** | **Planned Indicator Targets** | **Achieved Indicator Targets** | **Progress to date** | **Reasons for Variance**  **(if any)** | **Proposed Revisions** |
| **Output 1**  **A coherent GoTL policy framework for Inclusive Finance**  A national policy statement for inclusive finance is developed, consulted and adopted by GoTL, and enabling legislation is in place to support the expansion and consolidation of the financial sector. Coherent, effective and synergetic donor funding based on the national policy framework has been provided. | Indicator 1 | A Policy Statement on goals, strategies and priorities for Financial sub-sector development is adopted by GoTL (Y1) | * Partial * Enabling regulation for microfinance activities, developed with support from technical consultant procured by INFUSE, was approved in December 2010. | * As yet, the national vision statement on inclusive finance has not been developed. * INFUSE advocacy has focused on establishing participation of relevant government ministries and agencies, through collaboration with the MoED, the BPA and stakeholders in the GoTL, as follows. * The Minister of Economy and Development (MoED) is the Chair of and participates in the MCIF meetings The BPA also participates as an observer in the MCIF * Targets pertaining to access to MF included in the GoTL’s annual National Priority Working Groups * Provision of technical support to BPA for legal framework of MFIs, and membership/participation in the AFI * Inputs provided by INFUSE to national strategy on rural development. | * The process of developing the GoTL National Strategic Development Plan (NSDP 2011-2030), to be finalized in 2011, has been prepared by the Prime Minister’s Office with little or no consultation from stakeholders (donors or development partners). * Insufficient HR of PIU to achieve all outputs thus far | None. |
| Indicator 1.2 | A consolidated Financial Sub-sector Activity Plan for 2007-2012 is developed as part of the NDP 2007-12 (Y2) | Partial  -Annual participation in National Priority Working Groups | - INFUSE participated in Annual National Priority Working Groups 2009, 2010, 2011 | Same as above | None. |
| Indicator 1.3 | Principles for Support to the Financial Sub-Sector have been adopted by key donors (Y2) | No | * Donors and stakeholders have been coordinated through INFUSE participation in national priority working groups, private sector development working group, INFUSE advisory group for inclusive finance, and bi-annual MCIF. * Some donors have participated in the CGAP Donors for inclusive finance training | Multiple competing priorities of INFUSE | None. |
| Indicator 1.4 | UNDAF aligned with policy (Y2) | Yes | * INFUSE targets incorporated in UNDAF. * Annual reporting on indicators takes place | n/a | None |
| Indicator 1.5 | Current and future investments in the sub-sector are reviewed for compliance with national policy framework (Y3-5) | No | * Donors are coordinated resulting in contributions to INFUSE of app. US$3 million mobilized for INFUSE program, US$1million mobilized from MicroLead for one MFI, and funding for another MFI committed from MAS and Credit Agricole   - MCIF bi-annual meetings in place as mechanism to approve investments | No national policy statement for inclusive finance developed as yet | None |
| **Output 2**  **Increased Outreach of financial services by sustainable FSPs**  Good practice-based Financial Services Providers (FSPs) serving primarily the poor and low-income market make progress towards sustainability and increase their outreach, while maintaining a high portfolio quality | Indicator 2.1  Baseline as at Dec 2008 is 35,369 | Increase in the number of active clients (at least 50% women) of selected Financial Service Providers (excluding commercial banks) from baseline established as at end of 2008 by 20% percent p.a. (compounded), totaling 73,341 active clients by project end.  **Targets to be tracked:**   1. **All providers of MF services** 2. **INFUSE supported providers of MF services** 3. **Increase in access to new products and services** | Partial | * 34,733 clients of FSPs involved in provision of microfinance services (3 MFIs and credit unions) as of Dec 2008 increased to 55,851 as of December 2010, representing 27% p.a. growth (compounded). Of this total, 14,734 are clients of INFUSE-supported MFIs. * The two supported MFIs are meeting targets on portfolio quality and sustainability | Note: when setting targets, all MF service providers were included in baseline and projections on the assumption that INFUSE may provide direct support, and would also provide general sector support that would affect their performance.  Growth in outreach is slower than anticipated with one MFI supported by INFUSE with the key reason cited being HR  No results to INFUSE’s attempts to support CUs with sustainable approach.  Support to IMfTL has not been desired as they receive significant support from ADB and the GoTL. | Revised. |
| Indicator 2.2 | Introduction of pro-poor financial products by commercial bank and/or mobile network operators (MNOs), resulting in an additional 40,000 clients obtaining access to a secure savings account. | No | * INFUSE lent in-country support to ADB/Bankable Frontiers Associate’s assessment for potential of branchless banking in July 2010. | Though commercial banks and the single telecommunications service provider (monopoly through 2017) have not yet engaged in developing new products and/or going down-market, efforts to partner will continue. | None. |
| Indicator 2.3 | **~~At least 3~~ INFUSE-supported** MFIs have achieved financial break-even (Financial Self Sufficiency (FSS) >= 100%) by project end | 2 MFIs have achieved FSS | * Moris Rasik FSS from Dec 2008 to Dec 2010: increased from 100.7% to 104.8%   - TRM FSS: from Dec 2008 to Dec 2010: increased 89.8% to 112.7 | Only INFUSE supported MFIs should be included | Revised. |
| Indicator 2.4 | **~~The 3~~ INFUSE-supported** financially self-sufficient MFIs maintain an average PaR (30 days) of no more than 5%. | 2 MFIs have PAR below 5% | - TRM PAR from Dec 2008 to Dec 2010: decreased 9.2% to  3.7%  - Moris Rasik PAR from .88% to 2.5% | Only INFUSE supported MFIs should be included | Revised |
| Indicator 2.5 | Increase in the number of access points of all Financial Service Providers (FSPs) from baseline to be established at end 2009 | MFI Branch  Offices from Dec 2008 to Dec 2010 increased from 17 to 21 and INFUSE supported MFIs are operating in all 13 districts | * INFUSE is in the process of collecting detailed data for access points of all FSPs as at 31 Dec 2010 to compare to baseline established at 31 Dec 2009. | n/a | None |
| **Output 3**  **Enhanced business service infrastructures for the financial sector**  Private and public business service providers offering high-quality and market-responsive services to the financial sector are available in Timor-Leste, and a professional microfinance association (AMFITIL) is effectively representing the industry in policy dialogues, serving as an information hub for members and the public. | Indicator 3.1 | **~~AMFITIL membership has increased, and members meet minimum standards of portfolio quality and sustainability (Y3)~~** | No |  | UNCDF completed the original INFUSE program design in 2005 and revised the document in 2007, but overlooked the cessation of many microfinance institutions since 2006. As a result, AMFITIL has been inactive since 2007 and currently the few remaining members (4) have resisted any encouragement to re-activate the association. | Removed |
| Indicator 3.2 | **~~AMFITIL is formalized as a professional association (Y1)~~** | No |  |  | Removed |
| Indicator 3.3 | **~~AMFITIL functions as advocate for the NGO-MFIs serving poor and low-income customers (Y2)~~** | No |  |  | Removed |
|  | Indicator 3.1 | Competency framework and corresponding learning guides available for use by local training service providers to be able to deliver technical training for microfinance and banking to the financial sector |  | * INFUSE to collaborate with National Labor Development Institute on MF and banking certificate qualifications. |  | New |
|  | Indicator 3.2 | Financial education is promoted through research, social marketing tools and/or activities of local service providers |  | * INFUSE consultant conducted financial education scoping assessment in August 2010, as first step to developing a wider program. |  | New |
|  | Indicator 3.3 | Private sector entity makes Microinsurance products available for sale to MFI clients |  |  |  | New |
|  | Indicator 3.4 | Credit registry available to FSPs in the market  and exploring potential for m-banking (cell phone transactions  **~~At least 3 private or public sector providers of high-quality business services to FSPs have established outlets in Timor-Leste (Y5). Priorities include Financial Literacy, credit reference, audit, and exploring potential for m-banking (cell phone transactions~~** | * Credit Bureau was established in 2009 | * INFUSE lent support to ADB/Bankable Frontiers Associate’s assessment for potential of branchless banking in July 2010. | Actual context is that there are very few business service providers to partner with and bringing them from other countries to establish outlets in TL would require more time and resources than is realistic given the scope of INFUSE  Credit registry is managed by the BPA, and as of yet the MFIs do not participate, but INFUSE should support ODTIs to do so. | Revised |

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# ANNEX 1: January 1– June 20, 2011 Funding Disbursements

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| --- | --- | --- | --- | --- |
| **Description of Activity** | **Recipient** | **Delivery Mechanism** | **Amount** | **Disbursement Status** |
| Support to BPA for Development of Supervision Guidelines for ODTIs | Firm: Frontier Ventures LLC | Grant | $170,000 | $102,000 disbursed; final payment remaining |
| Capacity Building for Moris Rasik | Firm: World Education Australia Ltd (WEAL) | Grant | $223,920 | Disbursed |
| Transformation support to Moris Rasik | Firm: World Education Australia Ltd (WEAL) | Grant | $84,000 | Disbursed |
| Grant for development of PPI | Firm: Mercy Corps | Grant | $50,000 | Disbursed |
| Loan for Capital | MFI: Tuba Rai Metin | Loan | $150,000 | Disbursed |

1. Priority Area for the Peacebuilding Fund; Sector for the UNDG ITF. [↑](#footnote-ref-1)
2. The start date is the date of the first transfer of the funds from the MDTF Office as Administrative Agent. Transfer date is available on the [MDTF Office GATEWAY](http://mdtf.undp.org/) (http://mdtf.undp.org). [↑](#footnote-ref-2)
3. AusAID has contributed USD2,315,174 with remaining $134,826 to be mobilized in 2011 and 2012 by INFUSE [↑](#footnote-ref-3)
4. All activities for which a Participating Organization is responsible under an approved MDTF program have been completed. Agencies to advise the MDTF Office. [↑](#footnote-ref-4)
5. Primary membership is restricted to those with investments of and above US$ 250,000. [↑](#footnote-ref-5)
6. INFUSE formerly reported on the outreach indicators for BCTL (Formerly INfTL) and the CUs. However, since INFUSE does not directly offer TA to either BCTL or the CUs, nor does it receive outreach indicators from the institutions, only the numbers from partner FSPs are reported here. [↑](#footnote-ref-6)