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AusAID



Mid-Year Report 2011

Inclusive Finance for Under-Served Economy (INFUSE)

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Code:

UNCDF 00062359

Codes: 00072424

Period covered: January - June 2011

Report Date: January 2012

REPORT COVER PAGE

<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Programme Title & Number</div> <ul style="list-style-type: none"> Programme Title: Inclusive Finance for the Under-served Economy (INFUSE) Programme Number <p>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)</p> <ul style="list-style-type: none"> MDTF Office Atlas Number: 00055655 (Award ID), 00067655 (Project ID) 	<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Country, Locality(s), Thematic Area(s)¹</div> <p>Timor-Leste, Inclusive Finance</p>																		
<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Participating Organization(s)</div> <ul style="list-style-type: none"> 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 	<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Implementing Partners</div> <ul style="list-style-type: none"> United Nations Capital Development Fund (UNCDF) United Nations Development Programme (UNDP) 																		
<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Programme/Project Cost (US\$)</div> <p>MDTF Fund Contribution:</p> <ul style="list-style-type: none"> by Agency (if applicable) <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Agency Contribution</td> <td>UNCDF: US\$ 1,550,000</td> </tr> <tr> <td>by Agency (if applicable)</td> <td>UNDP: US\$ 500,000</td> </tr> </table> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">Government Contribution (if applicable)</td> <td>GoTL: US\$1,000,000</td> </tr> <tr> <td>Other Contribution (donor)³ (if applicable)</td> <td>AusAID: \$2.450,000</td> </tr> </table> <p>TOTAL: 5,500,000</p>	Agency Contribution	UNCDF: US\$ 1,550,000	by Agency (if applicable)	UNDP: US\$ 500,000	Government Contribution (if applicable)	GoTL: US\$1,000,000	Other Contribution (donor) ³ (if applicable)	AusAID: \$2.450,000	<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Programme Duration (months)</div> <table style="width: 100%; border: none;"> <tr> <td style="width: 40%;">Overall Duration</td> <td>2008 - 2012</td> </tr> <tr> <td>Start Date²</td> <td>27 August 2010</td> </tr> <tr> <td>End Date or Revised End Date, (if applicable)</td> <td>December 31st 2012</td> </tr> <tr> <td>Operational Closure Date⁴</td> <td>December 31st 2012</td> </tr> <tr> <td>Expected Financial Closure Date</td> <td>31st –December, 2013</td> </tr> </table>	Overall Duration	2008 - 2012	Start Date ²	27 August 2010	End Date or Revised End Date, (if applicable)	December 31 st 2012	Operational Closure Date ⁴	December 31 st 2012	Expected Financial Closure Date	31 st –December, 2013
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<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Programme Assessments/Mid-Term Evaluation</div> <p>Assessment Completed - if applicable <i>please attach</i> <input type="checkbox"/> Yes <input type="checkbox"/> No Date: _____</p> <p>Mid-Evaluation Report – if applicable <i>please attach</i> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date: August, 2010</p>	<div style="background-color: #f2f2f2; text-align: center; padding: 2px;">Submitted By</div> <ul style="list-style-type: none"> ○ Name: Cedric Javary ○ Title: Chief Technical Advisor ○ Participating Organization (Lead): UNCDF ○ Email address: cedric.javary@uncdf.org 																		

¹ Priority Area for the Peacebuilding Fund; Sector for the UNDG ITF.

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>).

³ AusAID has contributed USD2,315,174 with remaining \$134,826 to be mobilized in 2011 and 2012 by INFUSE

⁴ All activities for which a Participating Organization is responsible under an approved MDTF program have been completed. Agencies to advise the MDTF Office.

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	Federsaun 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 Initiative
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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1. 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 prevention 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.

2. Resources

Financial Resources:

INFUSE was inceptioned 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 cited 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.

3. 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 Programme⁵, 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,

⁵ Primary membership is restricted to those with investments of and above US\$ 250,000.

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.

4. 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

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.

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.

5. 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 in 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.					
	Performance Indicators	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)	<ul style="list-style-type: none"> - Partial - Enabling regulation for microfinance activities, developed with support from technical consultant procured by INFUSE, was approved in December 2010. 	<ul style="list-style-type: none"> - 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. <ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	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: a) All providers of MF services b) INFUSE supported providers of MF services c) Increase in access to new products and services	Partial	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	2 MFIs have achieved FSS	<ul style="list-style-type: none"> - 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.

		Sufficiency (FSS) >= 100%) by project end				
	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		- INFUSE to collaborate with National Labor Development Institute on MF and banking certificate qualifications.		New

		training for microfinance and banking to the financial sector				
	Indicat or 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
	Indicat or 3.3	Private sector entity makes Microinsurance products available for sale to MFI clients	-	-		New
	Indicat or 3.4	<p>Credit registry available to FSPs in the market and exploring potential for m-banking (cell phone transactions)</p> <p>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)</p>	- Credit Bureau was established in 2009	- INFUSE lent support to ADB/Bankable Frontiers Associate's assessment for potential of branchless banking in July 2010.	<p>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</p> <p>Credit registry is managed by the BPA, and as of yet the MFIs do not participate, but INFUSE should support ODTIs to do so.</p>	Revised

6. ANNEX 1: January 1– June 20, 2011 Funding Disbursements

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