

UN CAPITAL DEVELOPMENT FUND
Project Document
EXPANDING FINANCIAL ACCESS IN MYANMAR 2015– 2020
(EFA MYANMAR)

Country Myanmar

Project Impact:

Equitable and sustainable inclusive growth, contributing to the achievement of Myanmar's post-2015 Sustainable Development Goals (SDGs) (particularly on poverty alleviation, inclusive growth and on reducing inequality), and national poverty alleviation goals, by supporting the implementation of the Financial Inclusion Roadmap and particularly two of the priorities identified therein, institution building and addressing critical market barriers.

Project Outcome:

By year 2020, the financial sector is strengthened and is able to better support financial inclusion, with formal inclusion in Myanmar increasing from 30% to 40%, percent of adults with more than one product increasing from 6% to 15%, and a full range of affordable, quality, effective and responsible financial services being available to the target clients (MSME, small-scale farmers, women-led enterprises, youth, poor and low income) by getting all stakeholders to work together in an integrated manner: 830,000 low income beneficiaries (a minimum of 50% women) will directly benefit as a result of the project, and 3,000,000 will benefit indirectly.

Project Outputs:

Output 1: The policy and regulatory environment is strengthened, including enhancing the capacity of the regulators to implement the Financial Inclusion Roadmap.

Output 2: Strengthened capacity of selected market participants (FSPs and cooperatives), including through a Market Development Facility and targeted technical assistance to increase their capacity to deliver financial services according to global standards; The Market interventions will help develop sustainable practices for FSPs targeting the low income segments in Myanmar;

Output 3: Knowledge Management and Sharing: Learning and knowledge dissemination to dynamically adapt the project over time, and to encourage good practices in the regional financial inclusion agenda and hence contribute to the global financial inclusion agenda.

Project Period: 2015 –2020	Total resources required	\$ 25,414,052
PAC Meeting Date: 01/06/2015	Total allocated resources:	\$6,134,264
Management Arrangements: Direct Implementation (DIM)	Core funding	\$300,000
	• Other:	
	○ PGMF	\$5,834,264
	○ Donor	_____
	○ Donor	_____
	○ Government	_____
	Unfunded budget:	\$19,279,788
	In-kind Contributions (UNCDF):	\$262,000
	Parallel from MAP Global	\$80,000

Ms. Judith Karl, Executive Secretary UNCDF

Signature

Date:

Table of Contents

Acronyms	4
I. Executive Summary	6
II. Situation Analysis.....	7
2.1 Overview: Financial Inclusion in Myanmar	7
2.2 Financial Service Providers Landscape	9
2.3 Overview Policy Landscape.....	10
2.4 Barriers to Expanding Financial Access.....	11
III. Project Context	14
3.1 UNCDF Initiatives in Myanmar.....	14
3.2 Collaboration with UNDP in Myanmar.....	15
3.3 Myanmar Financial Inclusion Roadmap	16
3.4 EFA project overview.....	17
3.5 Partnership approach to EFA	17
IV. EFA project Strategy	20
4.1 EFA Approach and Methodology	20
4.2 EFA Theory of Change	22
4.5 Stakeholders, Target groups and Ultimate beneficiaries	27
V. Project Description.....	28
5.1 Output 1: The Policy and Regulatory Environment is strengthened	29
5.2 Output 2: Strengthened capacity of selected market participants.....	31
5.3 Output 3: Knowledge Management and Sharing	38
5.4 Cross cutting Issues – Gender.....	40
5.5 Sustainability and Impact (Exit strategy)	41
VI. Results and Resources Framework	42
6.1 Work plan	42
6.2 Results and Resources Framework (RRF)	43
6.3 Risk Analysis	46
VII. EFA in the Context of ONE UN and ONE UNCDF	46
7.1 Support for Myanmar Financial Inclusion Roadmap Objectives	46
7.2 Support for Global MAP Project Objectives	46
7.3 SHIFT Programme	47
7.4 MicroLead Expansion Programme.....	47
7.5 Linkage with UNCDF Strategic Framework 2014 – 2017	48
7.6 Linkage with UN / UNDP Strategic Plans.....	50
VIII. Management Arrangements.....	50
8.1 Governance and staffing.....	50
IX. Monitoring, Reporting, and Evaluation	54
X. Legal Context.....	56
XI. Annexures.....	57
11.1 Annexure A: EFA and the Myanmar Financial Inclusion Roadmap	57

11.2	Annexure B: 2015 Annual Work plan	57
11.3	Annexure C: Risk Analysis	57
11.4	Annexure D: Job description for the Project Manager	57
11.5	Annexure E: Project Monitoring Framework (PMF)	57
11.6	Annexure F: Budget.....	57

List of Tables:

Table 1:	Women Financial Inclusion in Myanmar	9
Table 2:	Barriers for women in financial inclusion	13
Table 3:	EFA Stakeholders	27
Table 4:	Results and Resources Framework	43
Table 5:	EFA support for UNCDF Strategic Framework 2014 - 2017	48

List of Figures

Figure 1:	Barriers to Financial Inclusion in Myanmar	11
Figure 2:	Myanmar Financial Inclusion Roadmap 2014 – 2020 Framework	17
Figure 3:	FI Roadmap Theory of Change.....	23
Figure 4:	EFA High Level Theory of Change	27
Figure 5:	Knowledge management plan - 5P	38

ACRONYMS

ACCU	Association of Asian Confederation of Credit Unions
ADB	Asia Development Bank
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine
AWP	Annual Work Plan
BTCA	Better Than Cash Alliance
CGAP	Consultative Group to Assist the Poor
CCS	Central Cooperatives Society
CPAP	Country Programme Action Plan
DFI	Development Finance Institutions
DFS	Digital Financial Services
DIM	Direct Implementation Modality
EFA	Expanding Financial Access project
FI	Financial Inclusion
FIPA	Financial Inclusion Practice Area
FRD	Financial Regulatory Department
FSP	Financial Service Provider
G2P	Government to Person
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoM	Government of Myanmar
GTI	Global Thematic Initiative
HDI	Human Development Index
HQ	UNCDF Head Quarters
ICT	Information and Communication Technology
IF	Inclusive Finance
IFC	International Finance Corporation
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
IT	Information Technology
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicator
LDC	Least Developed Country
LIFT	Livelihoods and Food Security Trust Fund
M&E	Monitoring and Evaluation
MADB	Myanmar Agricultural Development Bank
MAP	Making Access Possible
MDF	Market Development Facility
MDG	Millennium Development Goal
MEB	Myanmar Economic Bank
MFI	Microfinance Institutions
MFTB	Myanmar Foreign Trade Bank
MIS	Management Information Systems
MNO	Mobile Network Operator
MoC	Ministry of Cooperatives
MoF	Ministry of Finance
MMSE	Myanmar Microfinance Supervisory Enterprise
MSME	Micro Small and Medium Enterprises
NGO	Non-Governmental Organisation
NOC	National Project Officer
NSPAW	National Strategic Plan for the Advancement of Women 2013-2022

NPT	Nay Pyi Taw
PBA	Performance-based Agreement
PGMF	PACT Global Microfinance
PMF	Project Monitoring Framework
PMSU	Project Management Support Unit
PMU	Programme Management Unit
POS	Point of Sale
RFP	Request for Proposal
RRF	Results and Resources Framework
SDG	Sustainable Development Goal
SFI	State Financial Institution
SHIFT	Shaping Inclusive Finance Transformations
SME	Small and Medium Enterprise
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
UNV	United Nations Volunteer
WB	World Bank

I. EXECUTIVE SUMMARY

There is growing evidence that financial sector development contributes to a reduction in poverty and inequality. Thus financial inclusion is seen as a major contributor to poverty eradication and gender equality, and is therefore central to the Sustainable Development Goals that are being negotiated for the post-2015 agenda. Appropriate financial services can help improve household welfare and spur small and micro enterprise activity.

Access to formal financial services in Myanmar stands at a moderate 30% of the adult population, however a majority are thinly served having access to only one product that often only partially meets household needs. The [Myanmar Financial Inclusion Roadmap 2014 – 2020](#) was as a result developed by stakeholders and adopted by the government, in order to help increase the level and quality of access to and use of financial services. UNCDF has been a critical actor in the development of the Roadmap, in partnership with others having funded and implemented the Making Access Possible (MAP) diagnostic that provided the evidence base to develop the Financial Inclusion Roadmap.

UNCDF in Myanmar is operating under the Country Programme Action Plan (CPAP) 2012-2015. The CPAP was signed between UNDP and Government of Myanmar and was by decision of the executive board in 2014 extended to 2017. UNCDF is also supportive to the UN Strategic Framework for Myanmar 2012-2015.

Operating under the wider CPAP, UNCDF in partnership with other stakeholders, is now proposing a new project framework to further support the Roadmap process, through direct and concrete support to the Roadmap implementation process, and in addition by deploying resources in the Roadmap priority areas where UNCDF capabilities and resources are aligned. The primary focus of the proposed Expanding Financial Access (EFA) project is to support the Myanmar government in creating an environment that promotes an accelerated market development for financial inclusion, contributing to sustainable financing for development. The EFA project (2015 – 2020) will in particular:

- Support the Roadmap implementation process by serving as Secretariat to the government to support implementation, helping to ensure that the government is able to coordinate the various efforts and partners as they align their support to implementation, including developing consensus on Key Performance Indicators (KPIs) to measure progress in Roadmap implementation.
- Kick-start implementation of key priorities of the Roadmap, including assistance to the government in creating a suitable environment for fostering financial inclusion through capacity building initiatives, and efforts to strengthen financial institutions targeting the poor and Micro, Small and Medium Enterprises (MSMEs)¹, in particular Financial Service Providers (FSPs) and cooperatives through a market development facility, capacity support to launch a wider range of relevant and affordable products, and customer capability initiatives.
- Targeted support in specific market segments in line with Roadmap structure in order to further strengthen the products available to small-scale farmers and MSMEs.
- Encourage common approaches in the region, and contribute to the global financial inclusion agenda through sharing and learning.
- Enable collaborations with like-minded partners with an aim toward leveraging intra-sectoral resources and activities aligned with Roadmap objectives.

The project will ensure critical, ongoing and in-country support for the UNCDF Global flagship project, MAP, for which the Myanmar Financial Inclusion Roadmap is a process pioneer and key success factor. It will work in synergy with other UNCDF projects and objectives, in particular the MicroLead project which is already actively capacitating FSPs in Myanmar, the SHIFT programme which is facilitating suitable environments for financial inclusion in the ASEAN region, and the UNCDF cross-cutting agenda objectives such as gender, digital finance, youth, clean energy and responsible finance. In line with UNCDF operational strategies, the

¹ Under EFA, MicroLead comprises businesses with < 10 employees, Small 10 – 30 employees, and Medium 30 - 50 employees.

EFA project will be rolled out in partnership, first with the government as the process owner and beneficiary, and second with other development partners.

The EFA project will contribute to the outcomes of the UNDP CPAP for Myanmar (2013-2015 extended to 2017) and key priorities of pillar 1 (local governance programme) in supporting local governance in service delivery, inclusive growth and enhancement of employment opportunities for women and men,

The total proposed budget for EFA is USD 25.4 million over 5 years².

II. SITUATION ANALYSIS

2.1 Overview: Financial Inclusion in Myanmar

There is growing evidence that financial sector development contributes to a reduction in poverty and inequality. Thus financial inclusion is seen as a major contributor to poverty eradication and gender equality, and is therefore central to the Sustainable Development Goals that are being negotiated for the post-2015 agenda.

An increasing body of evidence shows that appropriate financial services can help improve household welfare and spur small enterprise activity. There is also macroeconomic evidence to show that economies with deeper financial intermediation tend to grow faster and reduce income inequality.³ Myanmar's HDI value for 2013 is 0.524, which is in the low human development category, positioning the country at 150 out of 187 countries and territories.

UN Myanmar Strategic Framework 2012-2015 highlights that the country development has been characterized by an uneven growth with the biggest income disparities to be seen across urban and rural areas and across different states. The document further states that poverty reduction has been limited in physically remote areas with low levels of access to basic social services. Access to credit has been identified as a severe constraint to improving the livelihoods of small and marginal farmers and poor landless households engaged in off-farm and non-farm activities. The potential need for agricultural credit representing a relatively larger loan volume per borrower is estimated at over USD 1 billion. Chief among the interventions suggested to tackle poverty is the provision of a better organized range of livelihood capital, technology and finance to low income population.

According to the [Making Access Possible \(MAP\) Country Diagnostic](#) commissioned by UNCDF, access to formal financial services in Myanmar stands at a moderate 30% of adult population. However, Myanmar's adult population is thinly served: only 6% use more than one formal financial product and only 5% have a bank account in their name. Among formal financial products, *credit* has the deepest reach (19% formal access), *payments* stand at 9.8%, *savings* at 6% and *insurance* at 3%.

FinScope Survey⁴ reports that 50% of adults in Myanmar use financial services from either a regulated or an unregulated service provider. A total of 30% of adults use regulated financial services, while 20% use unregulated services only. The remaining adult population use financial services from friends and family (26%) or do not use any form of financial services (24%). It also found that rural usage of financial services (53%) exceeds urban usage (45%), which is a reversal of the normal global pattern⁵.

² USD 5.8 million is expected to be received in a revenue fund sharing arrangement following the ending of the former UNDP Microfinance Project in Myanmar. The amount to be received is MMK 6.272 billion which is equivalent to USD 5.8 million at the current official UN rate of exchange of \$1075 / MMK. The dollar amount at the time of receipt (receipts are spread out over the programme lifetime) may differ from this dollar amount.

³ http://siteresources.worldbank.org/DEC/Resources/Finance_Inequality_and_the_Poor.pdf

⁴ FinScope Myanmar Survey (2013), Finmark Trust, commissioned by UNCDF as part of MAP Programme.

⁵ Ibid.

The role of savings in improving client welfare is well-documented, and for this reason it remains a priority area identified by UNCDF as well as the government of Myanmar as requiring focus. It has the potential to impact economic growth by allowing savings to be invested in the growth and productive sectors, and through direct benefits in the poor being able to smooth consumption and protect from shocks to reduce vulnerability and increase income-generating capacity.

In Myanmar, savings are particularly impacted by the lack of deposit and withdrawal points, low interest rates resulting in gold and private intermediation which offer better value, and a lack of trust in formal savings. Regulatory constraints limit savings growth, with State Financial Institutions operating at an unsustainable interest spread and MFIs have constrained policies which make them unable to collect deposits from non-lending clients. As a result, current levels of formal savings are low and 62.7% of adults do not report any savings and 25.7% save at home or with someone they know. Building trust for customers requires time, awareness, appropriate products and through presence points.

The Myanmar credit sector is characterized by high levels of informality; an estimated 9.2 million adults have a loan from an unregulated Financial Service Provider. The total outstanding debt provided by unregulated FSPs is estimated to be as high as USD 3.9 billion; close to 80% of the total outstanding loan book of the commercial banking sector.

In terms of financial access by market segment, farmers, formal consumers and formal enterprises are the most financially included whilst informal consumers and informal enterprises lag behind (respectively 15% and 25%). Since globally comparative financial access policies target population segments with income of up to USD 15 per day, at least 75% of the Myanmar adult population can be considered as the target market for financial inclusion policies, which clarifies there is currently a large gap to be filled.

Although having a relatively low income compared to other social groups, farmers have the highest take-up of formal regulated credit thanks to services from the state owned Agricultural Development Bank (MADB). There are, however, a significant number of farmers who only access credit from unregulated sources (14%) and a large number (11.3%) who make use of credit from both regulated and unregulated providers. MSMEs (Micro Small Medium Enterprises) are found both in rural and urban areas and they face similar operational and growth challenges. MSMEs use little regulated credit, insurance and savings products: 4% of formal enterprises make use of credit from regulated providers, 22% from unregulated providers and the rest of the Myanmar MSME Sector heavily relies on family savings and generated income to fund business expansion.

In terms of women access to finance, data from the Central Bank of Myanmar indicates a low level of female account ownership with only 2% of women having an account at a formal institution compared to 4% of men.⁶ The FinScope Study highlights that in the Myanmar context, women tend to save more on average than the male counterpart. Women savings are mostly informal (livestock, gold) and they are mostly used for medical emergencies and children education.

However, the level of inclusion for women and youth lag behind that of the general population. According to local experts, many youth are dropping out of school in the middle school range to help support family income. There are also requests from parents for training their teenage children in marketable skills and in business management. There will be challenges for youth to secure credit to start or expand their own businesses. There is a need for financial education and financial products which are accessible to youth and in particular promoting youth savings. ‘

⁶ The Role of Finance in Women Economic Empowerment in the ASEAN Region. (2014). Dr. Sandar Oo.

In Myanmar, women make up 51.8% of the population (24,821,176)⁷. More than 80% of adult women are currently financially excluded.⁸ It is worth noting that an estimated 50% of the Myanmar women workforce is currently employed by the Agricultural Sector.

Table 1: Women Financial Inclusion in Myanmar

Women Financial Inclusion in Myanmar	
Financially Included	17%
Formal Credit (from Banks)	13%
Formal Credit (from other FSPs)	5%
Formal Savings	4%
Belong to an Informal Saving Group	57%

Source: Myanmar, Finscope Survey 2013

There is ample evidence of how women's financial inclusion can serve as a catalyst to greater women's economic empowerment. It can increase women's economic opportunities, asset ownership, bargaining power, as well as reduce vulnerabilities. A cross-cutting theme will therefore be women's economic empowerment. Increasing female financial inclusion brings major socio-economic advantages at all levels, from micro to macro. Women's economic empowerment is a key priority area for impact investment worldwide, and gender equality is a core principle of the MDGs, as well as the emerging SDGs. UNCDF therefore remains at the forefront of women's empowerment, especially through its initiatives such as the SHIFT programme which has been advancing the gender agenda in the region through workshops and other tools. The EFA project will benefit from the learnings obtained through these existing initiatives.

2.2 Financial Service Providers Landscape

According to the FinScope Survey, commercial banks provide the largest single component of credit (44%), but serve only 0.4% of clients. The second largest provider category is informal money lenders, who provide 39% of credit by volume and serve 34% of clients. The largest single provider by number of clients is MADB which serves 9% of clients (2% by value). Cooperatives serve 5% of clients and MFIs 4%, each providing less than 1% of total credit by value⁹.

Rural areas are slightly better served than urban areas; this is the result of targeted credit provision to rural areas by state financial institutions, namely **MADB** the largest single provider by number of clients currently serving an estimated 2,000,000 farmers (2.1% by value).

As of October 2014, 215 **Microfinance Institutions** (MFIs) have obtained Deposit Taking License from the regulator (local and international NGOs, Cooperatives, Foreign and Local Companies). The November 2011 Microfinance Law created for the first time in the country a distinct Microfinance Sector with a set of specific rules and regulations and with an independent supervisory/regulatory agency (Myanmar Microfinance Supervisory Enterprise (MMSE) now the Financial Regulatory Department (FRD)) able to license operators. Until this law, NGOs and INGOs operated semi illegally. The Microfinance Law provides for MFIs to extend microcredit to the poor, to accept deposits from them, and to provide remittance and insurance services. While the MFI Sector reach in terms of number of clients and market share is limited, MFI Sector is the second largest in terms of rural branch network after MADB. Based on data from FRD, microfinance outreach of licensed MFIs as of September 2014 was over 1.23 million clients nationwide, with an estimated total portfolio of 144 billion Kyats (US\$147 million). PACT¹⁰ is the largest provider with 133 branches. With the major exception of PACT, other MFIs have less access to the more remote, rural and lower-income regions.

⁷ Preliminary CENSUS Results, (2014), UNFPA.

⁸ Finscope Myanmar Survey 2013.

⁹ Ibid.

¹⁰ Pact Global Microfinance Fund is a not for profit Microfinance organization in Myanmar

The **Cooperative Sector** focuses primarily on micro loans in rural areas. The Central Cooperative Society is an apex in this sector. Supervised by the Ministry of Cooperatives, the entire cooperative sector as of March 2012 was comprised of 20 unions, 461 federations and over 10,000 primary societies. The key challenges being faced by the Cooperatives are lack of support for intra cooperative training and skill development, lack of standardized operations across different cooperatives, and lack of standardized bookkeeping. The Cooperative Sector receives solid financial support from international donors such as China and Japan. The steep financial growth of the Sector due to international support is not complemented by adequate supportive regulatory environment, supervisory capacity and strategic innovation to the current model.

The picture so far is complemented by a nascent **Banking Sector** which has been growing since the introduction of Financial Sector reforms in 2008. Banking assets as a percentage of GDP have increased from 8% in 2008 to 21% in 2012, and operational costs ratios (a measure for banking efficiency) have decreased from 52% to 41% over the same time. This period has also seen the rapid expansion of infrastructure by regulated financial services providers such as bank branches, Automatic Teller Machines (ATMs) and Point of Sale (POS). However, the growth has been off of a small base and does not yet translate into widely available regulated financial sector, and Myanmar still lags behind its Southeast Asian neighbors.

With regards to the **Insurance Sector**, for the past decades the Myanmar Insurance Company has been the only provider of formal insurance products for Myanmar. The situation is now changed thanks to the licensing of a number of privately-owned insurance companies, the first of which started operations in 2013. Only 3.2% of adults use insurance from regulated providers, 4.4% from unregulated providers while 33.5 % mitigate their risks from other sources, mostly savings and borrowing.

Remittances are the largest reason for using regulated or unregulated financial services, with 11.5% of adults receiving domestic remittances and 7.3% foreign remittances. Of the adults who send remittances (thus primarily domestic remittances) 55% use bank transfers (most of which are not account-based), 36% use family and friends, and 8% use hundis. On the receiving side the use of hundis climb to 20.8% (signifying the lack of formal cross-border channels), family and friends 40.5% and bank transfers 38%.

Mobile phone penetration in Myanmar has skyrocketed in the past five years since the market has liberalized and allowed greater access to network services. Mobile services took a leap forward in 2013 with the award of two licenses to Norway's Telenor and Qatar's Ooredoo and the passing of the new telecommunications law in October. [UNCDF research](#) reports mobile usage at 41% as of 2013.¹¹

In Myanmar customer touch points are limited with 2.8 bank branches per 100,000 adults (compared to 8 in Nepal, Bangladesh and the Philippines), 0.6 ATMs per 100,000 adults (compared to 10 – 80 for peer countries), and 1.9 POS machines per 100,000 adults (>100 in some surrounding economies). This makes the possibility of mobile touch points important in the context of Myanmar. Mobile financial services have not yet taken off in Myanmar due to the lack of policy and regulatory clarity.

2.3 Overview Policy Landscape

The new Constitution adopted in 2008 followed by elections in 2011 brought new and deeper reforms that looked to stimulate economic activity and reduce poverty in Myanmar, and since 2010 the government has embarked on an ambitious reform programme. These reforms have been felt throughout all spheres of the economy, including in areas crucial to financial inclusion. Myanmar is set to join the ASEAN integration in 2015, which aims to create a single market and production base.

U Thein Sein, the President of the Union of Myanmar, has been showing his commitment to fostering greater Financial Inclusion in Myanmar since 2011, when he recognized the development of micro savings and credit enterprise as two national development priorities aimed at reducing poverty. This political endorsement contributed to the enactment of the 2011 Microfinance Law.

¹¹ Finscope Myanmar Survey 2013.

The 2011 Microfinance Laws and its four Implementing Directives constitute an important legal milestone for Financial Inclusion in Myanmar. The Financial Regulatory Department currently sits under Ministry of Finance and is responsible for implementation of microfinance policy and guidelines; to provide support to the MFIs by linking them with respective ministries, specialized companies and banks; to scrutinize the applications and issue MFIs with deposit taking licenses; to monitor and review MFIs' performance.

Another legal cornerstone for Financial Inclusion in Myanmar is the pending Mobile Network Operators Law which will enable people to use basic mobile wallets for the first time.

Looking at the broader Financial sector, it can be noted that the Myanmar Government is making real headway in developing multiple reforms to modernize the country institutionally and structurally (for example the Foreign Exchange Management Law, Foreign Investment Law, Central Bank of Myanmar Law, Anti-money Laundering Law, and the SME Law).

During the course of 2013 and 2014 development partners in Myanmar have been heavily involved in providing technical support to key government counterparts: Central Bank, Ministry of Finance, Ministry of Cooperatives, and Financial Regulatory Department.

UNCDF, with support from UNDP and the Livelihoods and Food Security Trust Fund (LIFT) and in collaboration with key development partners working in the country, has galvanized support for the development of a common policy vision for the future of Financial Inclusion in Myanmar. The vision has been elaborated in the [2014-2020 Myanmar Financial Inclusion Roadmap](#)¹² which has been adopted by the Myanmar Government. With complementary aims, the International Monetary Fund (IMF) and World Bank have been leading the development of a *Myanmar Financial Sector Development Strategy 2014-2020*, which will help to develop a stable, efficient and inclusive financial sector in Myanmar that is supportive of rapid and inclusive growth.

2.4 Barriers to Expanding Financial Access

Despite the development of recent laws and policies, key barriers to financial inclusion in Myanmar remain. These key barriers can be summarized at various levels as presented in the figure below:

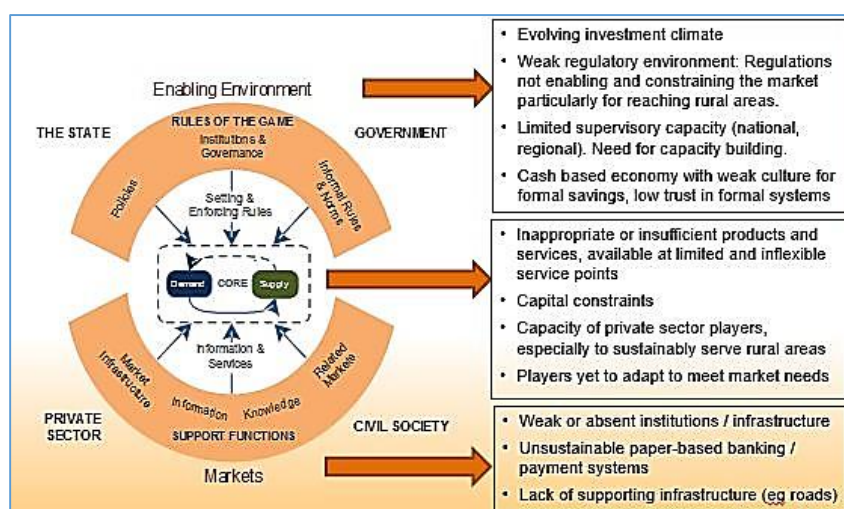


Figure 1: Barriers to Financial Inclusion in Myanmar

2.4.1 Policy Level:

Myanmar is at an early stage of financial sector strengthening and expansion, which is reflected in the policy initiatives that are on-going, and others that need to be revised or have yet to be initiated. Some overall policies that enable market-led mechanisms to function for the growth of the financial sector have also not yet been

¹² The Financial Inclusion Roadmap can be found at http://www.uncdf.org/sites/default/files/Documents/myanmar_roadmap_summary.pdf

implemented at various levels. A new and evolving investment climate, as well as a nascent commercial contract enforcement regime at present increases risk for investors.

In addition the rapidly evolving regulatory environment does not yet fully support financial inclusion: Laws and regulations are still being finalized and in instances are not yet fully supportive of financial inclusion. There is, for example, a need to improve the balance between regulation and commercial decision making, and to review specific regulations e.g. credit and interest rate caps.

Effective and efficient implementation of policies is also lacking, due to the weak monitoring, supervisory and risk management capacities of regulating agencies and government departments. There is a lack of clarity on differentiated roles for management of financial agencies, such as between FRD and Ministry of Cooperatives. The absence of a dedicated country-level financial inclusion strategy and benchmarks result in un-coordinated efforts taken by various stakeholders.

Moreover, foreign banks, unable to obtain retail licenses are applying for microfinance licenses in an attempt to justify their presence in Myanmar. Despite a lack of experience and systems, one foreign bank and perhaps more have received microfinance licenses and are operating on a small scale as a part of their corporate social responsibility strategy.

2.4.2 Sector level:

There is lack of enabling policies to encourage sustainable business models to serve rural areas. The public sector relies on subsidies while the private sector is not yet sustainable in rural areas as the cost of doing business is high (low infrastructure base, lack of scale, weak systems). All financial institutions suffer from a capital constraint that limits their ability to extend credit which hinders both densification and expansion of services. The government's emphasis on largely retaining domestic ownership of the financial sector implies that most of the required capital will have to be raised domestically. In terms of promoting and mobilizing savings in formal financial institutions, there is a lack of capacity (systems, processes, human skills, risk management, portfolio management, asset liability management etc.) across institutions serving the poor and unbanked segment required to manage savings.

Across the sector, there is a low level of modernization which could potentially address efficiency and portfolio quality issues, in addition to lowering transaction costs and enhancing outreach to new areas and clients. Many institutions and especially the State Financial Institutions (SFIs) who serve a majority of low income clients utilize paper-based systems that are heavily reliant on low-cost labour to be sustainable. To offer improved products at scale they will have to modernize and recruit higher skills at higher prices. Both the cost and availability of these skills will prove challenging (for example, there is currently no qualified actuary in Myanmar). Business model limitations and culture lead to low quality and diversity of services, especially due to limitations in information systems and professional skills.

Infrastructure plays a significant role in accessibility and drives access to and cost of delivery of financial services. Particular infrastructure critical to financial inclusion includes electronic payments infrastructure, customer touch points, credit bureau, capital market, and a foreign exchange market. The payments infrastructure is still underdeveloped (current POS devices have a 90% down time) but it is slowly being addressed.

2.4.3 Institutional level:

Though the banks are the most trusted institutions apart from SFIs for accessing financial services by clients, the high operational costs of delivering services limits their outreach to low income clients. MADB, the largest financial service provider, on the other hand is more oriented towards fulfilling policy level targets as opposed to providing market led financial services in a financially sustainable manner. This results in a non-functional and unsustainable institutional set up, with SFIs financing at low levels.

Cooperatives across the country face a lack of institutional and human capacity to deliver effective and efficient financial services to the poor, low income, small-scale farmers and women clients. The number of MFIs has been growing substantially, but many are not presently sustainable, and it is not economically feasible for them to operate in the remote areas, thus clustering most operations in more populated areas. The MFIs lack capacity and business models to reach out to rural and difficult areas, and to provide higher loan amounts for meeting micro and small enterprise growth needs.

The Microfinance sector is notably capital constrained. According to the current legislation, the only source of capital for MFIs is through savings (though it can only be from loan clients), retained earnings, grants or equity. In short, there is little opportunity to increase lending capital which is stunting the growth of the Microfinance market. Most of the growth has been through donor grant funding that has allowed MFIs to start their operations and to expand. For long term sustainability of MFIs, national and international investment beyond grant funding is crucial. Accessing international debt, which is selective at present, results in risks associated with currency exchange beyond a lack of assurance in meeting future capital requirements. Across institutions the level of research on client behavior and needs is lacking resulting in vanilla products being offered at present, thereby excluding larger numbers of potential clients in need of financial services.

2.4.4 Client Level:

Myanmar has a very large informal sector which for example for credit is nearly as large in terms of portfolio as the commercial banks. Clients are paying premiums of 100% or more for loans. There is an urgent need to give clients some alternatives.

With a low number of financial access points, transaction costs at the client level are high. The country is still primarily a cash-based economy with a weak culture for formal savings and low trust in formal intermediation. Potential clients do not access formal financial services due to inappropriate and insufficient products and services. Some of the main shortcomings include: inappropriate features e.g. loan size, collateral, repayment timelines, cost; Inflexible products when compared to informal products; Arbitrage where money lending is highly profitable when compared to a savings account; Limited service delivery points; Inconvenient opening hours; and even unavailability e.g. lack of savings opportunities/products, limited insurance products.

2.4.5 Gender specific barriers:

The barriers that stand between women and the provision of financial services are a function of both supply and demand, and can be separated into issues around capacity, resources, connections and culture/norms as depicted in the chart below:

Table 2: Barriers for women in financial inclusion

	Supply side	Demand side
Capacity	Limited access to knowledge, reducing participation in market segments and opportunities	Lower education and levels of financial literacy - Time poverty, less time to engage in economic activities
Resources	Capital constraints, specifically hindering women-led MSME transition to larger more established enterprises Low representation of women in senior level management - Women more likely to have pressure to spend earnings on other purposes	Limited ownership and control of assets for collateral - Less likely to have surplus from economic activity
Connections	- Higher transaction costs to reach fragmented and remote markets (urban migration is disproportionately more likely among men than women)	Constraints in mobility and social/business networking opportunities - Distance from information, lagging in use of technology

Culture/norms	- Women perceived and treated as riskier, less profitable population	Negative household power dynamics - Discriminatory practices
---------------	--	---

III. PROJECT CONTEXT

3.1 UNCDF Initiatives in Myanmar

UNCDF in Myanmar is operating under the Country Programme Action Plan (CPAP) for Myanmar 2012-2015. The CPAP was signed between UNDP and Government of Myanmar and was by decision of the executive board in 2014 extended to 2017.

UNCDF has been active in Myanmar supporting the achievement of the Strategic Priorities of the UN Strategic Framework for Myanmar 2012-2015, and the UNDP's CPAP 2012-2015.

In the area of inclusive finance, UNCDF's efforts spearheaded by the Financial Inclusion Practice Area (FIPA) support the achievement of Strategic Priority 1 of the UN Strategic Framework, to "*encourage inclusive growth, including agricultural development and enhancement of employment opportunities*"¹³ and the UNDP-CPAP Pillar 1, "*Effective local governance for sustainable inclusive community development*". These efforts further support the government in achieving its development priorities, as outlined in various forums but more specifically by President U Thein Sein at the Rural Development and Poverty Alleviation Central Committee on June 20, 2011.

At present, UNCDF's work in Myanmar is helping to create inclusive financial sectors by providing access to financial services for individuals and micro and small businesses through two key projects, the Making Access Possible (MAP) Project, and the MicroLead Expansion Project.

MAP is a global project that offers an innovative analytical approach to help governments and donors make aligned, strategic and informed choices towards promoting an overall enabling environment for inclusive finance based on robust, comprehensive and evidence-based diagnostics in a multi-stakeholder decision-making process. The Myanmar MAP Project (2012-2014) supported a diagnostic of supply and demand of financial services in Myanmar, leading to the development of a national Financial Inclusion Roadmap ([Myanmar Financial Inclusion Roadmap 2014 – 2020](#)) which was approved by the government in February 2015.

Under the now proposed EFA project (2015 – 2020), UNCDF is proposing new efforts to help kick start and further support the Roadmap implementation process, by deploying resources in priority areas identified in the Roadmap, and through direct support to the Roadmap implementation process itself.

Another initiative which is currently active under the UNDP CPAP is the MicroLead Expansion Project. The MicroLead Expansion project is a global UNCDF Project active in 21 countries. The Project provides loans and grants on a competitive basis to microfinance institutions, commercial banks and financial cooperatives in developing countries, and pursues a savings-based approach to expand operations to underserved markets. In October 2012 UNCDF expanded MicroLead to Myanmar with funding from LIFT Myanmar. The Myanmar MicroLead project (2014-2017) aims to increase sustainable financial access for more than 100,000 low income clients by supporting three Financial Service Providers (ASA, Basix (MFIs) and ACCU (cooperatives)) and by generating and disseminating knowledge products related to financial behaviour of the low income (Financial Diaries Research) and innovative product development.

¹³ UN Strategic Framework for Myanmar 2012-2015.

Lessons learned from MicroLead

The MicroLead project works with three top regional financial service providers, assisting them with setting up Greenfield operations in Myanmar and given the complementarity will work alongside EFA to support each other. Two of the implementers are MFIs contributing to a better understanding of the challenges involved in starting up and scaling operations in Myanmar. Some lessons from MicroLead include the following:

Scale up and funding:

The regulatory environment is not conducive for organizations to scale up. The difficulties of securing funding is an acute issue both in securing lending but also in accessing deposits. The Market Development Facility (MDF) being set up under EFA will in part help to provide an example of lending and market development and to provide bridge funding for commercial lenders to come in.

Savings:

There are challenges in securing savings for MFIs, much of it relating to regulations. The EFA project will work with the regulators to address these challenges. Additionally there is a need for a change in the savings culture. The EFA project will collaborate with the MicroLead partners to play a leading role in bringing their lessons learned to the broader microfinance sector.

Cooperatives:

The cooperative sector is a large and complex sector in Myanmar. At the same time it is a crucial sector to engage in. The EFA project will build on the experience of the MicroLead partner, ACCU, which is a leader in the development of cooperatives. Due to ACCU's considerable experience in Myanmar and existing relationship with the Ministry of cooperatives and Central Cooperative Society, ACCU will be key in scaling up future interventions in this area under EFA.

UNCDF has also rolled out a number of other projects across South East Asia and among these the regional Shaping Inclusive Finance Transformations (SHIFT) programme is expected to be rolled out in Myanmar during the period 2015 – 2020. SHIFT hopes to achieve economies of scale by addressing common constraints across a number of countries in the region. Further details of SHIFT's anticipated impact in Myanmar are set out in Section 7.3 below.

3.2 Collaboration with UNDP in Myanmar

As noted earlier the United Nations Development Programme (UNDP) Myanmar has signed a Country Programme Action Plan (CPAP) with the Government of Myanmar which has been extended to 2017.

The CPAP comprises 3 pillars, namely: Pillar 1 – Local Governance; Pillar 2 – Climate Change, Environment, Energy and Disaster Risk Reduction; and Pillar 3 – Democratic Governance and Development Effectiveness. The Local Governance pillar comprises 4 outputs, namely: output 1 – strengthened institutional capacity of local government; output 2 – strengthened institutional capacity of civil society organizations; output 3 – strengthened capacity of local media institutions; output 4 – strengthened institutional capacity to support sustainable livelihood and financial inclusion; and output 5 – improved livelihoods and social cohesion.

UNCDF activities in Myanmar are being implemented under the CPAP which allows both organizations to build on their comparative strengths to create synergy. UNCDF has expertise in financial inclusion and related areas which combines well with UNDP's strengths in government relations, local governance, social cohesion, peace building and local development.

The EFA project, as a follow up to MAP, will operationally fall under the UNDP CPAP Pillar 1 output 4 and will be aligned with the existing Annual Reviews and Annual Work Planning process to retain its relevance and impact in the context of such a framework. EFA will function under the present governance mechanism as set up by the CPAP, respectively the pillar and output board of output 4 of pillar 1 of the UNDP CPAP.

The current CPAP agreement goes through to the end of 2017 according to the latest agreement between government and UNDP. EFA work is consequently proposed to be phased to align to these timelines, with the first phase of work proposed to go through 2017 and the remainder going through to 2020. UNCDF will work with UNDP and the government to incorporate EFA into any post 2017 country programme framework.

UNDP and UNCDF worked closely in the implementation of the MAP project and this close collaboration will continue throughout the life of the EFA project. Other specific areas where close programmatic cooperation and synergies between UNDP and UNCDF will potentially be established as part of EFA include:

- The financial support for technical assistance to the Inter-ministerial steering committee for the roadmap implementation.
- The development and co-branding of knowledge management products. Being among the key activity for EFA this will be a natural area for collaboration (e.g. result of past cooperation between the two organizations was a joint policy brief on microfinance).
- The EFA project will have initiatives with the cooperative sector. The EFA project will thus seek to identify a concrete entry point to include capacity development initiative of the UNDP supported township leading groups of SRGs (Self Reliance Groups) to strengthen their institutional capacity to provide adequate training and capacity development for their members and village level SRGs.
- Empowerment of women is a cross cutting theme for UNDP and UNCDF and through the EFA concrete synergies will be identified with the work that UNDP is doing in this area.
- Another area where UNCDF has strong international expertise is in clean energy financing. In this regard cross pillar linkage with the environmental work of Pillar 2 of the UNDP CPAP will be explored.
- As the EFA project is utilizing a rolling format there will be opportunities to engage in specific area based assessment (e.g. in Rakhine or the South East) to support wider UNDP or UN programme interventions, and/or encouraging UNCDF partners to extend operations in such areas.

Other areas of specific programmatic cooperation will be explored during the roll out of the EFA.

3.3 Myanmar Financial Inclusion Roadmap

The “Myanmar Financial Inclusion Roadmap 2014-2020” was built on the key findings of the MAP Diagnostic 2014 and Myanmar FinScope Survey 2013. The Financial Inclusion Roadmap Framework was officially endorsed by a Government led Steering Committee in September 2014, and approved by the National Cabinet in February 2015. The Roadmap sets out a vision to direct concerted efforts from government, development actors and private sector to:

“Increase Financial Inclusion in Myanmar from 30% in 2014 to 40% by 2020, and adults with more than one product from 6% to 15%, with a full range of affordable, quality and effective financial services (which comply with recognized standards on responsible finance) by getting all stakeholders to work together in an integrated manner.”

To achieve this vision, two main broad outcomes need to be pursued as a priority going forward:

- 1) Strengthening of the Financial Sector so that it is able to best support deepening of Financial Inclusion in Myanmar.
- 2) Ensuring Financial Inclusion is prioritized for three market segments: Agriculture, MSME and Low Income Households.

The strategic framework diagram below outlined in the Financial Inclusion Roadmap 2014-2020, developed by UNCDF, summarizes the various activities and levels needed to be undertaken for addressing the present barriers, strengthening the financial sector to support financial inclusion and for ensuring better financial inclusion for priority segments.

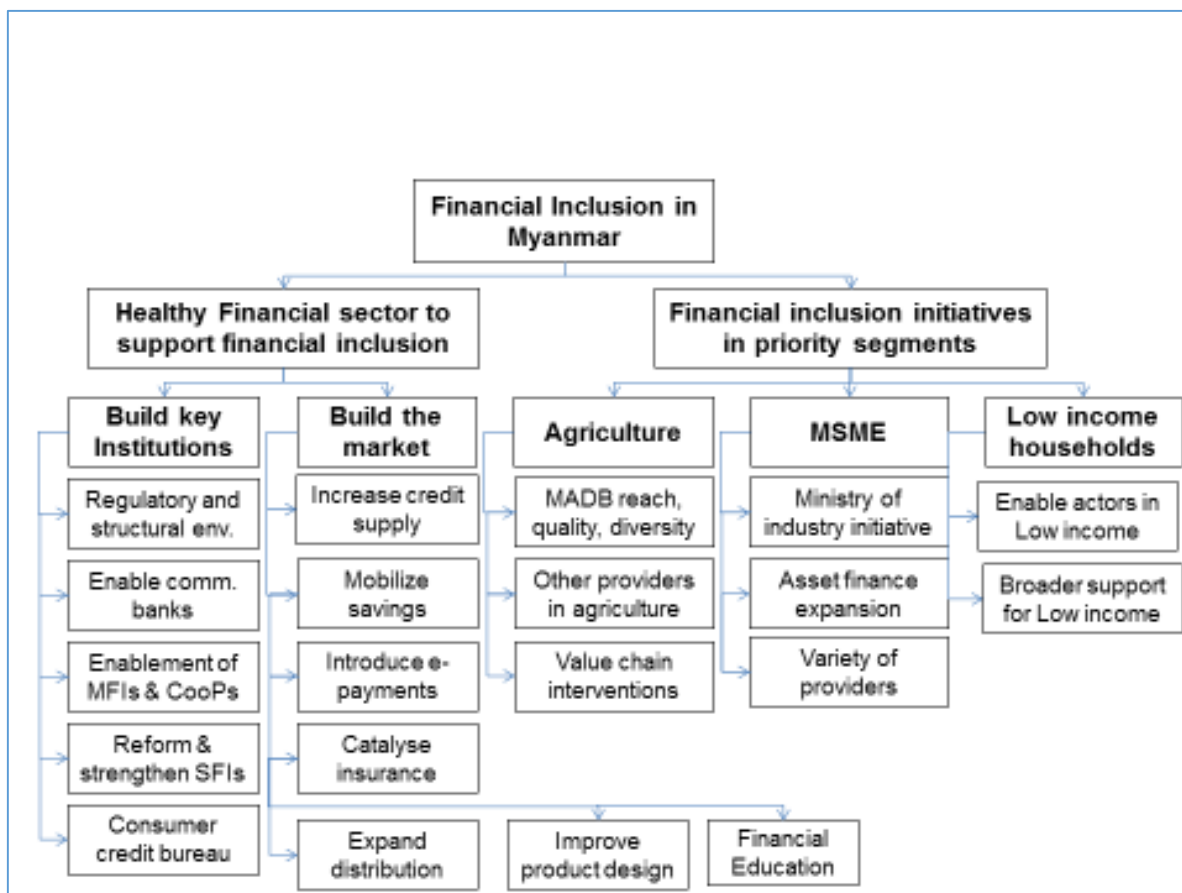


Figure 2: Myanmar Financial Inclusion Roadmap 2014 – 2020 Framework

A summary of the Roadmap Goal, Outputs and Activities is included as Annex A (where these are also compared to the EFA project).

3.4 EFA project overview

The EFA project 2015 – 2020 will have three key components, namely support to ensure the Roadmap implementation, initiatives to strengthen regulators and FSPs operating in the low income market segment, and a strong learning and knowledge sharing component that will complement the other work in the low income market. Through these components of work, the EFA project will support multiple Financial Inclusion Roadmap objectives including:

- Supporting and incubating the Roadmap implementation process, taking a lead role in crowding in other donors.
- Helping ensure a supportive regulatory environment.
- Strengthening FSPs and cooperatives, as well as other service providers indirectly providing financial services such as those using digital solutions, through a Market Development Facility and capacity building.
- Helping address market barriers including credit availability, encouraging savings and electronic payments, improved product design and targeted financial education.
- Selected effort in the MSME and Agriculture market segments.

3.5 Partnership approach to EFA

The EFA project will be rolled out in partnership with the government, as it is intended to support government objectives, and in addition, the overarching framework will be the Financial Inclusion Roadmap implementation process which is driven by the government. Government counterparts will therefore be co-opted into the

project governance and reporting structures. Key government counterparts that have been identified for this project include the Ministry of Finance, the Ministry of Cooperatives and the FRD.

Other Partnerships and Linkages:

The EFA project will seek to work with the various existing initiatives and minimize duplication, as well as share information to ensure optimal impact for the target beneficiaries.

In order to best place UNCDF's catalytic capital investments, the EFA project will strive to maximize the leveraging of other UNCDF projects on particular thematic issues of relevance to Myanmar in order to ensure synergies and complementarities.

Areas of complementarity include [clean energy finance](#)¹⁴, [savings-led development](#)¹⁵, [national financial inclusion diagnostic and road mapping](#)¹⁶, [digital financial services](#)¹⁷, [strengthening financial inclusion for low income youth](#)¹⁸ and ASEAN financial inclusion. The EFA project will draw on the experience and knowledge of those UNCDF thematic projects that offer great potential to create synergies and promote cross learning.

Furthermore, UNCDF will draw on the knowledge and experience of other UN agencies working in Myanmar:

- UNDP: The MAP and the Myanmar Financial Inclusion Roadmap process provides an excellent example of how UNDP and UNCDF can synergistically work together. UNDP will co-fund the technical post in support of the Roadmap Secretariat, and will support the implementation of the Financial Inclusion Roadmap at the policy level. (For other programmatic synergies please see section 3.2).
- UNOPS/LIFT: LIFT has been significantly involved in the Roadmap process and has provided funding for the MAP research and development of the formation of the Roadmap. LIFT is also a member of the Output Board under which UNDP/UNCDF comes. In addition, LIFT has been very involved in funding the Microfinance sector, some of which went through UNDP and UNCDF MAP project and currently goes through UNCDF for the MicroLead project. LIFT will also play a role in financial inclusion including areas of pro-poor financial services, investment for agricultural and off farm small businesses, mobilization of savings, market development assistance and a risk guarantee fund.

In addition to UNCDF programming and other UN agencies, EFA project will seek partnerships and collaborate with a wide range of development partners working in Myanmar and in the ASEAN region, including:

- IMF/World Bank: The proposed *Financial Sector Development Strategy 2014-2020* which is an initiative by the International Monetary Fund (IMF) and the World Bank to develop and implement a sector strategy in order to help develop a stable, efficient and inclusive financial sector in Myanmar that is supportive of rapid and inclusive growth. The emerging view following discussions with the World Bank is that the Financial Inclusion Roadmap (and by extension the EFA project) is highly complementary to the Financial Sector Development Strategy, as the Roadmap will support elements of the proposed strategy, including helping to create a conducive environment to ensure services reach the low income populations. The sector strategy will likely incorporate elements of the Roadmap as implementation details regarding financial inclusion;
- CGAP: In addition to support from UNCDF's own Mobile Money for the Poor initiative and the [Better than Cash Alliance](#)¹⁹, UNCDF will continue to coordinate with CGAP and the World Bank to develop enabling policies and regulations, market development measurement standards and partner on Digital Financial Services;

¹⁴ <http://www.uncdf.org/en/cleanstart>

¹⁵ <http://www.uncdf.org/en/microlead>

¹⁶ <http://www.uncdf.org/en/map>

¹⁷ <http://www.uncdf.org/en/mm4p>

¹⁸ <http://www.uncdf.org/en/youthstart>

¹⁹ <http://www.uncdf.org/en/btca>

- ADB: UNCDF will coordinate its client protection and financial literacy with ADB and will ensure that all financial services providers endorse the Client Protection Principles of the SMART Campaign as required in all Performance-Based Agreements;
- IFC/WB: advice, oversight and financial support to MFIs; policy support to FRD and MoF;
- USAID: mobile money linked with agricultural supply chains and the upcoming Private Sector Development Initiative;

The EFA project will focus on some aspects of the Roadmap but UNCDF, in order to ensure full support to its implementation, will be liaising with development partners to ensure all the critical areas of the Roadmap receive support.

After a first series of consultations, it is clear there is donor support for implementation of the Roadmap.

The EFA project will post a consultant to work directly with the financial inclusion steering committee which will work in part with the government to track activities of various partners involved in the implementation of the roadmap. Each of the 20 high level initiatives of the Roadmap is made up of sub-categories which allow for a variety of interventions to work together. The main areas identified as likely to be under the focus of the other development partners in support of the Roadmap include the following with areas of complementarity noted:

World Bank

- Supportive regulatory and structural environment
- Enablement of MFIs
- Reform and strengthen MEB and MFTB
- Introduce e-payments
- Financial education and responsible finance
- Improve MADB reach, quality and diversity
- Enable multiple providers in agriculture
- Better enable actors in the low-income segment
- Broader support for the low-income segment

The World Bank has been an active supporter of the Roadmap and its development. Areas of complementarity include regulatory reform and support, e-payments, financial education, MADB interventions and support to the low income segment.

IMF

- Strengthening banking supervision and regulation capacity of the Central Bank of Myanmar via technical assistance
- Strengthening central bank's accounting function and reporting to contribute to the establishment of a modern financial management infrastructure via technical assistance
- Improving AML/CFT legal regulatory and supervisory framework via technical assistance

The IMF has also been an active supporter of the Roadmap. The work of the IMF is at a higher macro level and is more focused on the Central Bank, but will still benefit financial inclusion in Myanmar.

LIFT

- Expansion of existing pro-poor financial services (incl. crop loans)
- Investment financing for agricultural and off-farm small businesses
- Mobilization of savings
- Market development assistance
- Partial Risk Guarantee Fund

The LIFT programme provides funding for the MicroLead Project. They are expanding into more areas of financial inclusion. UNCDF sits on the subcommittee for financial inclusion under the funding board.

USAID

- Inclusive and Transparent Economic Policy Making and Implementation Processes
- Increased Capacity In Inclusive Economic Governance and Financial Market Building Reforms
- Increased Savings and FDI
- Broader Access to Finance and Economic Opportunities
- Agriculture value chain interventions

USAID will implement a private sector development strategy which tends to follow the Roadmap. We anticipate that there will be complementarities under this new project which may include funding for EFA.

ADB

- Supportive regulatory and structural environment with the Central Bank
- Financial education and responsible finance

ADB has also been a strong supporter of the Roadmap. The EFA project will work to complement their work in financial education and responsible finance. The EFA project will also seek to ensure that all supported financial services providers endorse the Client Protection Principles of the SMART Campaign as required in all Performance-Based Agreements.

GiZ

- Supportive regulatory and structural environment
- Strengthen and enable commercial banks

GiZ is very active with the commercial banking sector. Work of EFA in small and medium enterprises will complement the work of GiZ.

The EFA project as part of its Roadmap implementation coordination efforts will coordinate with these and other partners as well as with the government to optimize resource deployment and ensure minimal duplication.

IV. EFA PROJECT STRATEGY

4.1 EFA Approach and Methodology

The Financial Inclusion Roadmap lays out an overview of the key activities to be undertaken by development partners and their timelines to strengthen and deepen financial inclusion in Myanmar. In addition, the Roadmap lays out key market segments to be prioritized within the broader client base. The following EFA project strategy has been developed as a coherent response to:

- **Tackle** the most pressing short term challenges to a deeper and more inclusive reach of key financial services (credit, payments, savings, insurance);
- **Foster** an enabling environment for the long term deepening of Financial Inclusion in Myanmar;
- **Coordinate** efforts of development partners working towards strengthening all areas of Financial Inclusion in Myanmar;
- **Promote** the economic empowerment of women across all levels.

As highlighted in the context analysis above, Myanmar is at the early stages of financial sector strengthening and expansion. Significant efforts are currently being made by the Government of Myanmar; chief among these are efforts on designing improved policy mechanisms, country level frameworks and institutional development for overall financial access.

Within the fast-changing and evolving financial sector development in Myanmar; UNCDF identifies its role for supporting financial inclusion initiatives through implementation of market transformational mechanisms. It is imperative to note that such initiatives should lead to maximising benefits for the larger population of the country resulting in poverty reduction, reduction of income inequalities and economic growth being inclusive. To ensure this, the EFA project will use the following three-pronged approach:

1. **Market segment driven Initiatives:** The EFA project will support tailored interventions targeted primarily at the macro (Government/regulatory and policy) and micro level (retail level FSPs such as banks, non-bank financial institutions, cooperatives) institutions.

The EFA project will also leverage and where necessary capacitate various providers of business support services to the financial sector (meso institutions), in particular public and private training and consulting companies and institutes, sector networks and providers of professional services in the financial sector (auditors, MIS, ICT and payment service providers).

The said interventions will ultimately aim at expanding the range of affordable, quality and effective financial services which comply with international recognized standards of responsible finance, available to small-scale farmers, urban poor and MSME (with particular focus on women-led enterprises).

2. **Rolling Plan Implementation:** EFA project has its foundation in the findings of the in-depth 2013 assessment of the demand and supply of financial services (savings, payments, credit, insurance) and its raison d'être in the Financial Inclusion Roadmap Framework. Due to the fast pace of development of the country and key uncertainties with the upcoming elections at the end of 2015, the five year implementation of the EFA project will use a rolling plan approach rather than a blueprint approach. Key project output and outcomes are set in the present document, and in turn are based on the approved national Financial Inclusion Roadmap, however, detailed annual activity will be established during the course of the implementation through an annual work planning process in line with the existing governance arrangements under the CPAP through involving the respective output board. The flexibility of this approach is needed to ensure that programmatic actions are adapted to the fast changing regulatory and socio-economic environment. In addition, the rolling plan approach will enable UNCDF to better coordinate efforts with future development partners' programmes that are unknown at the time of writing the present document.
3. **Crowding in of efforts and knowledge sharing** for learning and impact; by documenting and disseminating project learning and through collaboration with existing initiatives and institutions rather than duplicating efforts. The Roadmap inter-ministerial Steering Committee will bring together key representative across multiple Ministries; additionally following the building market systems approach UNCDF will seek to influence the market, by providing a demonstration effect, thus crowding in other players.

Based on the above approach, UNCDF will undertake programmatic interventions focusing on the following:

- **Target clients** – Most of the unbanked, underbanked poor, low income and female population are involved in the agriculture and MSME activities. There are an estimated 12 million farmers in Myanmar representing a key driving force for the economic development of the country. Agriculture contributes to as high as 36.4% of the GDP as of 2010, and as such is still the single largest sector in the economy. Of the economically active, about 54% are employed in agriculture, which provides a livelihood to 70% of the

population.²⁰ Most of Myanmar's informal economic activity, which constitutes approximately 57.4% (2005) of Myanmar's overall economic activity – or Gross Domestic Product (GDP), is operated through micro and small enterprises. 74% of formal enterprises do not have access to basic financial products. One of the key constraints for MSME development is access to capital and adequate financial services.

- **Institutional Stakeholders** – Within the Myanmar Financial Inclusion service provider landscape, the Microfinance sector is well positioned for product diversification, achieve social impact and fulfill needs of the target clients, government objectives to reduce poverty levels, increase agricultural productivity and support micro and small scale enterprises. The financial institutions that can maximize delivery of services to above target clients are FSPs, Cooperatives and the Agriculture Development Bank. At the same time, there is great potential in use of digital financial services which can play a key role in driving down costs, and greatly increase financial inclusion by reaching a broader coverage of clients. Mobile network operators, commercial banks and telecommunication sector regulators will need to strongly support these institutions and other FSPs in reaching the target market.
- **Sector level Stakeholders** – For ensuring cohesive efforts towards market development for achieving financial inclusion, much of the work at the policy, regulatory and supervisory level needs to be undertaken with Ministry of Finance, Central Bank, Ministry of Agriculture, Ministry of Cooperatives, FRD, Ministry of Small Industries and Rural Development. For crowding in of efforts, collaborations will be undertaken with development partners such as the World Bank, GiZ, ADB, etc. for faster achievement of financial inclusion goals in Myanmar.

The Government of Myanmar recognizes the importance of a well-functioning Financial Sector as one of the key drivers in support of the government's priority to reduce inequalities and poverty. Transforming the financial landscape to promote inclusive finance and banking is one of the major policies of the government. The EFA project is aligned with overall government priorities and policy objectives related to poverty alleviation, increased agricultural productivity, growth of cottage industries, development of micro saving and credit enterprises and strengthening cooperative outreach.

The EFA project is contributing to the UNDP CPAP and its key priorities to achieve poverty reduction and sustainable development that are rights-based, gender sensitive, inclusive and equitable. The EFA project is also in line with the principle of national ownership of development cooperation whereby the government and other national stakeholders play a central role in guiding implementation and attainment of project priorities.

The EFA Project is aligned to the Myanmar National Strategic Plan for the Advancement of Women 2013-2022 (NSPAW). The EFA Project will contribute to achieving the objective of "Women and Economy", a priority area of NSPAW, by ensuring fairness and equal rights for women in relation to access to formal financial services and by increasing access to formal financial products to, whenever possible, women-led MSMEs, women farmers and low-income women.

4.2 EFA Theory of Change

The primary focus of the EFA project is to support the Myanmar government in creating an environment that promotes an accelerated market development for financial inclusion, contributing to sustainable financing for development, and to strengthen the private sector in providing appropriate and affordable services to the poor.

Strategically, the Myanmar Financial Inclusion Roadmap 2014 – 2020 is the key instrument that government has adopted in order to create the conditions needed for an accelerated market development for financial inclusion. UNCDF was a key actor in supporting the government in the development of the Roadmap, and the

²⁰ World Bank, 2013.

EFA project is designed to help begin implementation alongside other key strategic partners to government. In this way, UNCDF will continue to support the Government in the realisation of the Roadmap.

4.2.1 Financial Inclusion Roadmap Theory of Change

The Roadmap outlines broad areas of work that will potentially help to advance financial inclusion in Myanmar, including initiatives to strengthen the financial sector, as well as initiatives targeted at specific customer segments. Through a strengthened financial sector that is better able to serve a broader range of customers, the Roadmap proposes that the number of people able to access financial services will greatly increase relative to the currently niche segments that are served, largely unsustainably, into a truly broad based reach in all the segments including the MSME, middle and low income segments. The sector will thereby be able to sustainably meet a large portion of the unmet needs amongst MSMEs, small-scale farmers, women, youth and other poor and low income people that are unserved or currently using the available but insufficient services. In addition a strengthened financial sector will be better able to efficiently serve FSPs that are interested in entering the low income market, currently hampered for example by a lack of market facilities, lack of best industry practices and high cost of doing business.

The Roadmap also proposes initiatives targeted at specific segments of the market (Agriculture, MSME and Low income) to address constraints for customers and FSPs, and hence increase access and quality of service available to these segments. By working with service providers focusing on specific segments, it is proposed that the efficiency, quality and scale of their products can be improved, hence increasing access in these specific segments. In addition, research focused on these customer segments can help to attract them into formal services, for example better tailored products that address current barriers and weaknesses. The Roadmap broad Theory of Change is shown below.

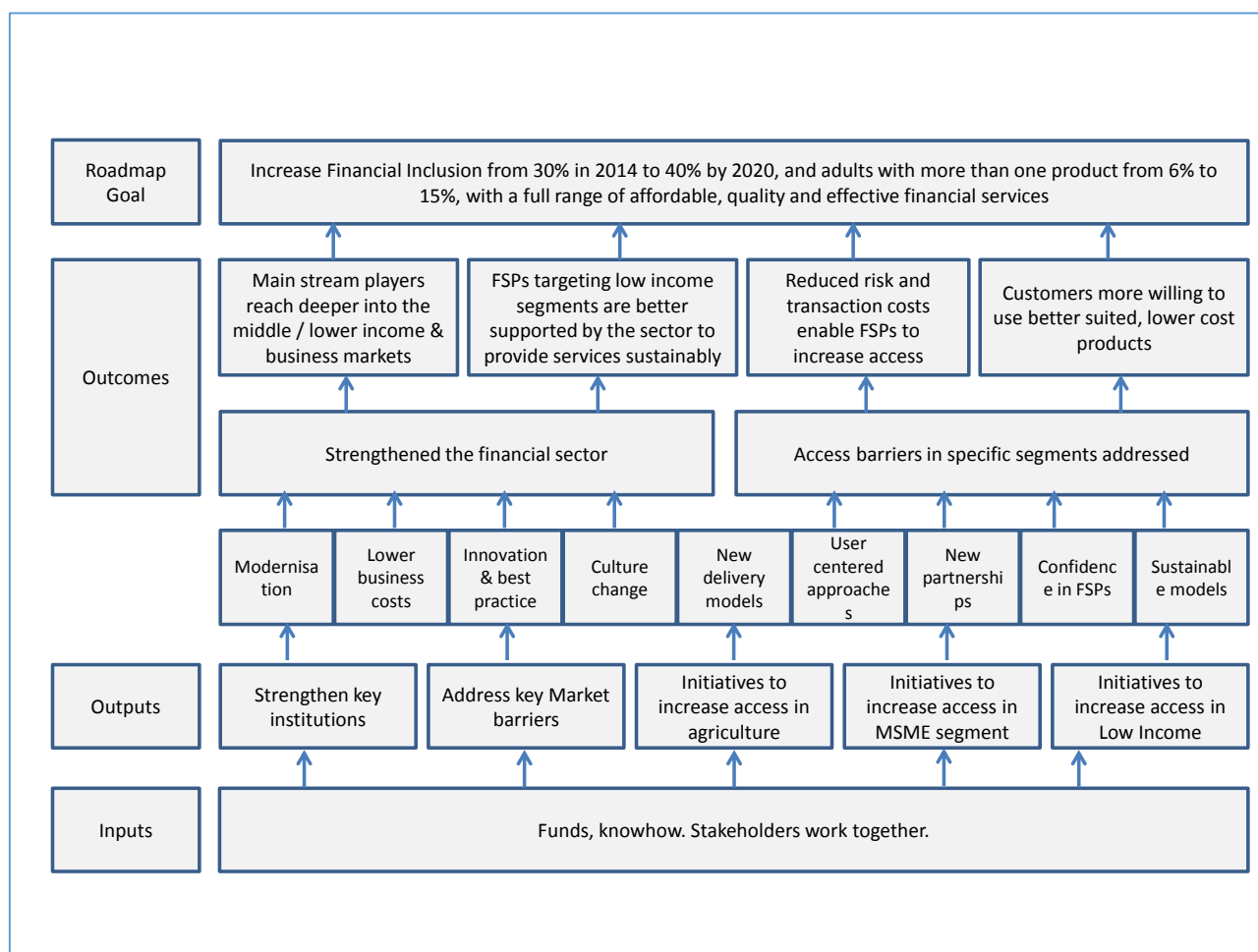


Figure 3: FI Roadmap Theory of Change

4.2.2 EFA Theory of Change

UNCDF, through the EFA project, proposes to assist the government to mobilize stakeholders around the Roadmap to ensure it is implemented and achieves its broader goal.

In addition, UNCDF proposes to provide further specific support for selected areas of the Roadmap where UNCDF's capabilities are aligned, particularly in the effort to strengthen the financial sector so that it more effectively serves low income people. It should be noted that the EFA project does not address all areas of the Roadmap. UNCDF and the government will play an active role in inviting other key stakeholders to support and contribute to different aspects of the Roadmap to ensure its full implementation. UNCDF support is targeted in areas where it is positioned to best deliver, and these areas are further detailed below.

Policy and Regulatory environment is strengthened:

In order to achieve the Roadmap objectives, key institutions are needed at the centre of the process as noted earlier. Currently, the government has selected a broad range of actors within the Ministries to be part of the Inter-Ministerial Steering Committee (IMSC) and the Technical Working Group, under the chairpersonship of the Deputy Minister of Finance. The capacity of the government agencies nominated to coordinate Roadmap implementation is currently low. The government will therefore need support to mobilize and manage stakeholders around the Roadmap. Many of these stakeholders are government departments and agencies. UNCDF is well suited to offer this support because of its earlier support in the developing and launch of the Roadmap, its close relationships with many of these departments, and given its significant experience in working with regulators and other development partners.

The support will mainly be in the form of a senior resource person to be deployed in the government offices (complemented by broader secretariat support services), to help the Roadmap Inter-Ministerial Steering Committee further refine its role and impact, and to provide it with on-site support, capacity development of officials responsible to drive the Roadmap, the necessary strategic technical support and advice, resource mobilisation support, and ensure coordination of ongoing activities. The resource person will also liaise closely with stakeholders involved in ensuring that work plans reflect the strategic requirements of the stakeholders and the strategic direction of the programme. The work done by the Secretariat will complement other capacity building work by EFA (further described below).

The Secretariat will help to ensure that the government is able to coordinate the various efforts of Ministries and development partners (WB, IFC, ADB, JICA, etc.) as they align their support to project implementation. The Secretariat duties would also include developing (within 2015) a national tracking and monitoring mechanism to measure progress in roadmap implementation.

In addition, to implement the Roadmap, the government needs to take the lead in ensuring that the regulatory environment for the expansion and deepening of financial inclusion is supportive, including ensuring stakeholders support financial literacy and responsible finance principles. However the nascent nature of the reform process in Myanmar means there is limited capacity at the relevant regulators to take this leadership, and limited exposure to international norms and standards. UNCDF's work in policy advocacy and promotion of financial inclusion regionally and globally positions it well to offer core support to FRD in building this needed capacity. The EFA project therefore proposes a number of capacity building initiatives including inviting the FRD to be part of the EFA committees, training and workshops for key ministries and agencies, direct technical assistance and exposure visits on risk management, monitoring and best practices. In addition, research and data analysis for policy advocacy, improved regulations and increased financial access is also proposed, as well as focused initiatives to train and capacitate regional regulators. Ensuring that regulators are able to create and sustain the environment needed for financial inclusion to expand and widen will help financial service providers focused on the poor to thrive, thereby indirectly enabling their clients to access services.

Capacity of key FSPs and cooperatives is strengthened

Technical assistance will be provided to FSPs targeting the low income to help create and increase the range of affordable, quality and effective financial services and particularly through savings, digital financial services, uncollateralized MSME credit and product design that better takes into account customer research outcomes in new products for the low income. By FSPs being able to offer relevant products, customers take up will increase and hence result in expansion and deepening of financial inclusion.

A Market Development Facility is proposed to help strengthen selected FSPs, defined generally so as to include MFIs, banks, MNOs, INGOs, savings groups and others. The challenge of lack of funding in Myanmar especially in local currency has already been discussed and the Market Development Facility will ensure that seed capital is sufficient for the selected FSPs. An amount will be reserved to exclusively serve special groups (women, youth). The funding programme will also be designed in a way that encourages the FSPs to adopt sustainable practices suitable for the low income segments in Myanmar.

Support will be provided to the FSPs to develop new and improve existing products, and research and grants will be used to encourage good practices and new business models, complementing the innovation initiatives within other UNCDF projects. Savings and mobile payments will be some key areas to be prioritized given the success they have had in other markets in improving welfare, expanding access and underpinning the penetration of other financial services. It is proposed that close collaboration with the global UNCDF expertise in these areas will assist EFA to meaningfully and cost effectively contribute to the debate in Myanmar, helping FSPs launch new business models and products suitable for the target segments.

The interventions with the FSPs will be complemented with work with regulators to create the environment needed for new products to flourish. This will include the relevant research as well as the development of policy notes that will enable UNCDF to work with regulators to ensure FSPs are able to launch the proposed products.

In Myanmar cooperatives are a key institution that the poor use to access financial services, as well as a tool of government to reach the poor and MSMEs. Government has to date aggressively funded these cooperatives, creating the potential for a market breakdown in the absence of the necessary capacity building and support, and hence a reduction in the confidence in financial inclusion as a tool that can improve welfare. This was identified in the roadmap as a critical risk area. It is therefore important to provide assistance to cooperatives to ensure that they improve their capacities to manage and deliver financial services that meet client requirements, and to be sustainable. UNCDF has been active in this area in Myanmar through MicroLead/ACCU, and as a result is well positioned to expand the efforts to impact a critical area. In addition, a formal request for support has been made to UNCDF by the Ministry of Cooperatives, especially for training agriculture cooperatives in governance, accounting systems, bookkeeping, and standardization of management procedures. There is also potential to provide support for risk management for the Ministry of Cooperatives.

Due to the scope of the cooperative sector, it is proposed to focus on a few areas, namely a training programme, and grant approach through ACCU (or another partner) for accounting and to implement demonstration MIS, and to explore options for cooperatives to become a more integral part of the financial ecosystem through mobile technologies. This approach will optimize UNCDF use of funds. The training will focus on management, MIS systems and procedures and policies, and will be tightly linked to the MIS grant programme, with trainees subsequently training other staff in their respective cooperatives. A sustainable cooperative sector will not only increase confidence in financial inclusion, but will also ensure that cooperatives continue to serve the population.

In synergy with the above initiatives and in support of the strong government focus on agriculture as evidenced in the Diagnostic and the Roadmap, the EFA project will support the MADB to orient it towards best practices through exposure visits to models in Indonesia and Philippines. This will also complement the regional networking model of EFA. In addition, research is proposed into how best to assist capacity building in agricultural value chain finance, potentially crowding in donors into this important area of impact for farmers. This intervention complements similar initiatives by UNCDF in the region, particularly the "Access to Finance"

project in Nepal, and was highlighted by the Ministry of Agriculture as a priority area from a financial inclusion perspective.

It is anticipated that the above interventions will showcase and lead to the modernization of FSPs in Myanmar, resulting lower business costs, innovation and best practice, culture change, new delivery models and partnerships, user-centered approaches, and hence increased customer confidence in FSPs and more sustainable models.

Knowledge Management and Sharing

Learning and knowledge management will be an important aspect of the programme to ensure the project remains responsive to national needs and circumstances and in order to encourage interaction and cross learning with other projects in Myanmar and in the region to ensure common approaches in the regional financial inclusion agenda, and finally to ensure that UNCDF is able to crowd in other development partners in cementing its market development approach. The international/regional learning agenda will be achieved primarily through the SHIFT programme, where learnings from the project will support SHIFT objectives and inform the programming agenda across the region especially with regards to the development and implementation of roadmaps based on the MAP methodology, and in pushing the frontiers of the role that FSPs can play in advancing financial inclusion. The SHIFT programme will thereby be in a position to contribute Myanmar learnings to the global financial inclusion agenda in order to ensure that the project impact is maximized.

Theory of Change summary

As seen above, the EFA project will help to create a more enabling environment for financial inclusion through each of its outputs. By supporting the structures and actions needed to resource and implement the Financial Inclusion Roadmap, the EFA project will in fact help to ensure a deeper and broader financial sector in Myanmar, providing greater access to financial services for people (and especially women and youth), small businesses and small-scale farmers in supporting sustainable improvements in the livelihoods of poor people through increased incomes, employment creation and long-term security against shocks and hence equitable and sustainable inclusive growth at a national level.

The success of the EFA project will therefore be evidenced by (i) sustainable structures, resources and processes being in place to sustainably continue the implementation of the financial inclusion Roadmap by the government, (ii) an informed and active regulatory authority that is at the forefront of advocating for progressive approaches to financial inclusion in Myanmar, and (iii) a portfolio of successful, vibrant and sustainable FSPs and cooperatives that adopt international standards in their product approach and operations, and that address the needs of low income customers, MSMEs and small-scale farmers, and are sensitive to needs and requirements of youth and women. At the end of EFA interventions, the supported FSPs and cooperatives should be sustainable, providing a fuller range of affordable products and services, and they should have encouraged other FSPs to adopt their approach, leading to a multiplier effect. The market interventions will therefore be assessed through the sustainability of the supported FSPs, the number of clients they serve as a result of EFA, and the uptake (hence relevance) of the products they offer.

Success in the capacity building efforts will be evidenced by the progress made in implementing the Roadmap against plan, as well as the capacity of the regulators to thereafter take any necessary actions to regularly improve the regulatory environment as it relates to financial inclusion.

The project in achieving its broader objectives will wherever possible prioritise specific sub-objectives aligned to the UN, UNDP and UNCDF strategy and global targets, notably on gender, consumer protection, digital finance and extraction of synergies with existing projects.

The high level EFA Theory of change is further illustrated below:

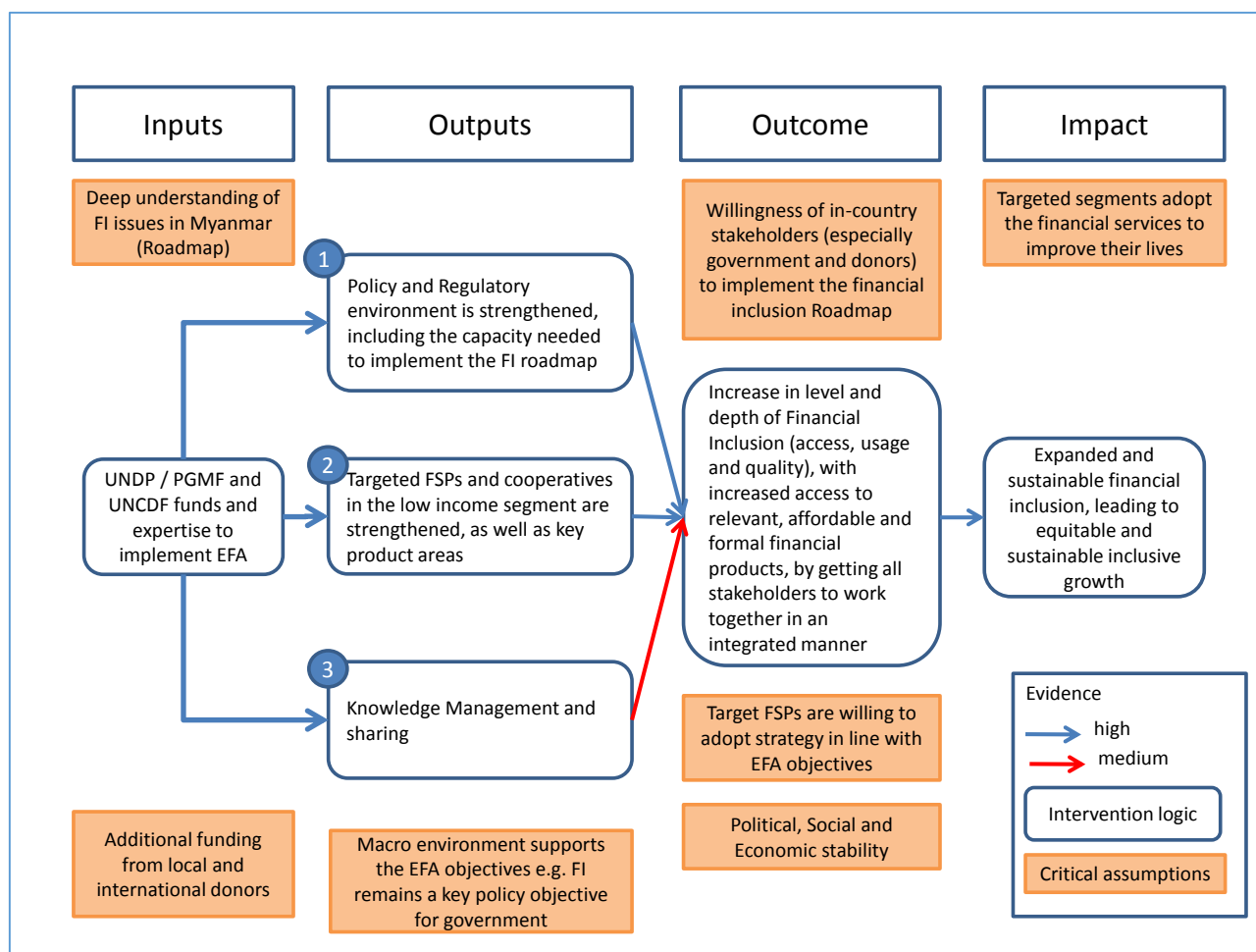


Figure 4: EFA High Level Theory of Change

4.3 Market focus

The EFA project will retain a rural focus in line with Government priorities, but also seek to address the urban poor as MAP findings show that the rural population in cases have better access to finance than their poor urban counterparts. The project will therefore target MFIs working with the poor, low income population in general, as well as small-scale farmers, urban poor, youth and MSMEs, and in particular women-led enterprises. The project will also seek to work with other institutions targeting these market segments, notably cooperatives and MADB.

In terms of capacity building, the project will focus on the national regulatory authorities, with some limited effort in the provinces. This will ensure a higher leverage in the deployed resources, especially as the targeted government counterparts will be responsible for national strategies and plans.

The geographic focus market will be the whole country.

4.4 Stakeholders, Target groups and Ultimate beneficiaries

The main stakeholders of this project are shown in the table below.

Table 3: EFA Stakeholders

Stakeholder	Categories	Examples
-------------	------------	----------

Micro-level (Retail players)	- Financial service providers - End users of financial services in Myanmar	- Microfinance Institutions, Cooperatives, MADB - Unbanked and under banked low income population and MSMEs using the services of Microfinance Institutions, Cooperatives, MADB, Mobile money providers and other FSPs
Meso-level	- Business support service providers - Digital solutions providers	- Public and private training and consulting companies and institutes - Providers of professional services in the financial sector i.e. auditors, ICT and payment service providers, mobile network operators, etc. - Association of MFIs
Macro-level	Policymakers, regulators and agencies participating in the financial sector and financial inclusion policy development process	- Ministries of Finance, Agriculture, Cooperatives, Industry and Rural development - Regulators such as FRD, and local governmental departments overseeing the delivery of rural, urban, micro- or commercial financial services
Key partners and donor agencies	Locally and internationally based donors and other development partners supporting financial sector and financial inclusion policy development in Myanmar	- UNCDF through existing initiatives in Myanmar (MicroLead, MAP Regional and Global initiatives) in partnership with UNDP - Other current key partners and potential partners including LIFT, USAID - Development partners in Myanmar including World Bank, IFC, IMF, GiZ, ADB and others.

The target groups for the EFA project include the national government and selected FSPs i.e. MFIs, MADB and Cooperatives. The ultimate beneficiaries of the project are the unbanked and underbanked low income population, especially small-scale farmers and the urban poor, with particular focus on females and youth involved in the agriculture and MSME activities. At least 830,000 low income clients²¹, MSME and small-scale farmers will directly benefit (a minimum of 50% of them women) as a result of EFA. 3,000,000 previously excluded individuals will also benefit indirectly, as a result of EFA ensuring the Roadmap is successfully resourced and implemented²².

V. PROJECT DESCRIPTION

Project Impact:

²¹ Of this, the market facility is targeted to impact 100,000 clients, anticipating 50,000 loans of approximately USD 140 recycled 2 times. Cooperatives will impact at least 330,000 reached through 400 trainers targeted in the programme. The balance of 400,000 will be reached through digital financial services, being 26.5% of low income adults amongst a targeted national increase in the reach of digital financial services of 5%.

²² Based on the proposed Roadmap goal and the diagnostic baseline, a 10% p.a. expansion in access as a result of the Roadmap implementation could equate to 3 million clients indirectly benefitting from the EFA project.

Equitable and sustainable inclusive growth, contributing to the achievement of Myanmar's post-2015 Sustainable Development Goals (SDGs) (particularly on poverty alleviation, inclusive growth and on reducing inequality), and national poverty alleviation goals, by supporting the implementation of the Financial Inclusion Roadmap and particularly two of the priorities identified therein, institution building and addressing critical market barriers.

Project Outcome:

By year 2020, the financial sector is strengthened and is able to better support financial inclusion, with formal inclusion in Myanmar increasing from 30% to 40%, percent of adults with more than one product increasing from 6% to 15%, and a full range of affordable, quality, effective and responsible financial services being available to the target clients (MSME, small-scale farmers, women-led enterprises, youth, poor and low income). This will be done in part via EFA which will directly impact 830,000 low income beneficiaries (at least 50% women) and through getting all stakeholders to work together in an integrated manner and full implementation of the roadmap, 3,000,000 people will benefit indirectly from access to financial services.

Evolving approach:

Myanmar has been a highly dynamic market since it opened up in 2011, and this is likely to remain the case over the next 5 years. For this reason the EFA project will adopt a flexible approach where thorough annual reviews the project will refine its focus based on dynamics in the country, UNCDF comparative advantages as well as progress in the project implementation areas. This will also allow the EFA project to function as a platform where various thematic initiatives will be tested for relevance in Myanmar, and those with potential scaled up.

A further potential source of change is the envisaged engagement with donors supporting the implementation of the Financial Inclusion Roadmap. UNCDF will lead efforts to ensure that donor funds are not wasted in duplication and that all areas of the Roadmap are funded. UNCDF will work with partners and government to refine each player's focus and outputs and this process could also have some impact on the anticipated EFA outputs.

The description below therefore defines the approach and the broader areas of work to be covered, that will be better defined during the implementation of the project. Annual work planning with government and annual reviews as set up under the present programmatic CPAP framework will be undertaken to make sure that UNCDF and the EFA project remain relevant to address Myanmar development challenges. Revisions in the Annual Work Plans will be informed by stakeholder engagement and analysis in the learning and knowledge management process. A budget will be set aside for research, formulation, innovation in order to address this.

Phased Implementation:

EFA as a follow up to MAP will operationally fall under the UNDP CPAP Pillar 1 output 4. The current CPAP agreement goes through to the end of 2017 according to the latest agreement between government and UNDP. EFA work is consequently proposed to be phased to align to these timelines, with the first phase of work proposed to go through 2017 and the remainder going through to 2020.

The end of phase 1 will be marked by an interim evaluation. UNCDF will work with UNDP and government to incorporate EFA into any post 2017 country programme framework in order to ensure continuity and by building in any improvements or strategic direction adjustments as a result of the mid-term evaluation.

5.1 Output 1: The Policy and Regulatory Environment is strengthened

The policy and regulatory environment is strengthened by:

- a. enhanced capacity of the regulators to implement the financial inclusion roadmap through Secretariat, and other related support,
- b. facilitating an enabling regulatory environment necessary for expanding and deepening financial inclusion in Myanmar, by building the institutional capacity of key government counterparts and creating regional linkages;

Under this output the following main targets are proposed to be achieved, as further outlined in the PMF:

- The Roadmap is implemented with EFA support and coordination, including tracking and monitoring and donor mobilization.
- Capacity building through 3 exposure visits, on the ground support and mentorship from EFA personnel, and 7 training courses for key personnel targeting Government Counterparts in the Ministry of Finance, FRD and Ministry of Cooperatives, and aimed at deepening their understanding of regional and international financial inclusion policies best practices.

5.1.1 Roadmap Implementation support

It is proposed to provide facilitation and technical support to the government to ensure that it has the institutional delivery system for implementation. The Financial Inclusion Roadmap was approved by the Myanmar Government in February 2015; and the Roadmap Inter-ministerial Steering Committee (IMSC) was established by decision of the Cabinet.

The roles and responsibilities of IMSC are outlined as follows:

- a. Coordination and Harmonization: The Inter-ministerial committee needs to coordinate and harmonize the different sector initiatives, ensuring synergies are extracted where possible.
- b. Monitoring and Evaluation: The Inter-ministerial committee should monitor and evaluate outcomes and provide regular report-backs to various government organs.
- c. Implementation modalities: The Inter-ministerial committee should ensure that stakeholders' projects falling behind schedule are escalated to the highest level to ensure they remain relevant to the government objectives.
- d. It is suggested that each ministry or organization will implement specific areas of the Roadmap under their jurisdiction but will report to the Inter-ministerial committee on progress. In many instances, an area of the Roadmap may require more than one organization, and sub-working groups under the Inter-ministerial committee would take responsibility for these.

The EFA project will support the IMSC in achieving the above outlined objectives and the following is proposed to be achieved as part of the Roadmap implementation support:

- State of the art technical support functions to support the IMSC and its secretariat
- Development of a tracking and monitoring function including Key Performance Indicators for the Roadmap, and annual targets;
- Provide strategic and technical advice to the IMSC;
- Assist the IMSC and government coordinate development partners and mobilize resources;
- Provide technical leadership to ensure the implementation momentum is retained;
- MIX Mapping update during 2015 – 2016;
- A MAP Refresh in 2017 (with an update to the Roadmap as necessary).

5.1.2 Capacity Building for government counterparts

This activity envisages interventions to ensure that the institutional capacity of key government counterparts is strengthened and linkages with regional counterparts are created, resulting in an enabling regulatory environment for expansion and deepening of Financial Inclusion in Myanmar.

Focus will be on providing technical support to three key government counterparts, i.e. the Ministry of Finance, the FRD, and the Ministry of Cooperatives.

It is imperative to have enabling policies, regulations and institutional mechanisms that promote market development efforts for expanding financial inclusion. With lack of skills and low efficiencies pervasive across institutions, there is a need to work on strengthening the supervisory, management and monitoring capacity of government departments involved in financial inclusion efforts. With evolving policies and regulations, there is also a need to have differentiated responsibilities between policy makers and regulators that enhance coordination between them. This would require not only building capacities of government departments, but also undertaking evidence based studies that influence policies and regulations to be more responsive to market needs.

As part of this objective, creating an enabling regulatory environment for increased access by women will be an area of attention, as this is one of the key factors that frequently hinder women's access to financial services due to historical factors. Policy makers (government counterparts) where necessary will be sensitized on 'why and how regulatory practices can make women more readily access financial services'. Where possible, the project will make connections with the Ministry of Social Welfare, which is the key focal point for gender and women.

The capacity support to be provided aims at five key aspects:

- Exposure visits for key personnel aimed at deepening their understanding of regional and international financial inclusion policies best practices are conducted. At least one policy or best practices is gender responsive and considers gender aspects in the policy.
- Participation in training courses for key personnel aimed at strengthening their supervisory capacity;
- FRD will be a part of some of EFA's proposed activities, in particular the Market Development Facility Fund monitoring and approval committee as described in Section 5.2;
- On-the-ground support and mentorship from EFA personnel, particularly the resources based at the FRD
- Research and data analysis for policy advocacy, improved regulations and financial access including ensuring that policies are gender responsive as per NSPAW.

In addition, focused initiatives will be launched to train and capacitate regulators based in the provinces, to coordinate efforts in the low income segment and for stakeholder advocacy particularly via the MFI association.

5.2 Output 2: Strengthened capacity of selected market participants

UNCDF will utilize grant and non-grant instruments to support financial service providers to create and increase the range of affordable, quality and effective financial services which comply with international standards of responsible finance to key market segments (in particular small-scale farmers, urban poor and low income, youth, and women-led MSME). Within the intervention, UNCDF will also ensure that supported FSPs implement global best practices in critical areas including gender, youth and responsible finance.

The capacity constraints of selected market participants (FSPs and cooperatives) are addressed as follows:

- a. Supporting the enablement of FSPs and Cooperatives through a Market Development Facility for FSPs; the Market Development Facility will help develop sustainable practices for FSPs targeting the low income segments in Myanmar including those using digital solutions.
- b. Targeted technical assistance to increase capacity of cooperatives to deliver financial services according to global standards
- c. Mobilize savings through technical assistance for FSPs and Cooperatives to enhance outreach and client centred services.
- d. Catalyze electronic payments through research and technical assistance in collaboration with the UNCDF global expertise on digital finance and mobile money, helping to establish, scale up or replicate sustainable mobile financial services that reach the poor.
- e. Improve product design through technical assistance to assist regulators to enable new products and services that respond to the needs of the most vulnerable (women, youth, poor and low income small-scale farmers).

- f. Financial education and responsible finance intervention through research on consumer capability to access and use financial services.
- g. Technical Assistance to help improve the MADB agriculture lending portfolio management, and to build capacity in agricultural value chain financing.
- h. Technical assistance and research to help FSPs deliver un-collateralized loans to MSMEs, including women and youth focused MSME.

Under this output the following main targets are proposed to be achieved (further details available in PMF):

- At least 3 new gender sensitive financial products in Myanmar are successfully piloted by FSPs and ready for roll out.
- Leverage at least 3 successful partnerships between FSPs and organizations working in the country in the areas of sustainable agriculture, renewable technologies, and entrepreneurs' development.
- A minimum of 7 FSPs provided with loans or risk capital grants or Technical Assistance, some of them accompanied by grants to entrench innovation and good practices especially as regards policies, capacity, systems and products in MFIs.
- Technical assistance directly impacting at least 400 cooperatives is disbursed, including Training and capacity building programmes.

5.2.1 Market Development Facility

Capital and capacity constraints faced by MFIs and other FSPs for expanding their operations are a major constraint. To expand financial services, there is a need to set up facilities that will help transform the market and enable FSPs to be less dependent on subsidized and grant funds. Grant funds are limited and if not done judiciously can create a dependency mind set with the FSPs. There is also a need for local currency loans which do not carry currency exchange risks for the FSPs.

Under this activity, the issues of fund availability is being addressed through a Market Development local currency Facility to provide loans, technical assistance and risk capital grants to financial service providers. Additional efforts to increase fund availability by developing savings led mechanisms to mobilize deposits from clients and building capacities of clients to transact with formal financial service providers is addressed under Section 5.2.3.

The Market Development Facility will function as a catalytic agent able to take risk and leverage outside sources of capital to FSPs²³ operating in Myanmar. The fundamental purpose of the proposed Market Development Facility is to help "open up" what is essentially a donor driven MFI sector, namely grant funding, to a more market driven sector of FSPs with the inclusion of domestic and international sources of capital in the form of refundable loans and investments. New sources will be able to help diversify not only the institutions but also, more importantly, the services and products available to poor clients, in particular, credit, savings and micro insurance.

Within the EFA Market Development Facility, 25% of the funds will be reserved for special groups, women and youth. In addition some grants to entrench innovation and good practices especially as regards policies, capacity, systems and products in FSPs have been planned. Such grants will encourage partnerships to identify innovative ways in both financial and non-financial markets to better support women and youth inclusion in the formal economy.

The allocated start-up capital²⁴ will be used to leverage additional impact investments. UNCDF recognizes that Impact Investors can bring benefits to the disadvantaged and fuel prosperity through targeted intelligent

²³ FSPs include a wide range of institutions including commercial banks, NBFIs, Credit Unions, Cooperatives, NGO-MFIs, MNOs, and Savings Groups.

²⁴ A portion of the USD 5.8 million expected to be received in a revenue fund sharing arrangement following the ending of the former UNDP Microfinance Project in Myanmar has been allocated to the facility. The total amount to be received is MMK 6.272 billion which is equivalent to USD 5.8 million at the current official UN rate of exchange of \$1075 / MMK.

financial access programmes. UNCDF will therefore champion innovation brought by Impact Investors and will foster partnerships that allow them to contribute research and knowledge to complement EFA objectives.

Loan Products

The Market Development Facility will provide tailored financial support in the form of performance based loans. Later in the project other more advanced products may be considered including risk capital grants and subordinated debt/quasi-equity.

The **Performance Based Loans** will be appropriate for the institution, carefully managed and offered to those that either do not mobilize sufficient savings to meet loan demand or those that have a high loan demand but cannot legally mobilize savings. Loans will be:

- Extended to organizations with proven track records or promising organizations;
- Concessional in nature based on institutional capacity;
- Loan duration sufficient for institutions to demonstrate credit history and performance;
- Performance based where disbursement is linked to achievements of targets.

Risk Capital Grants will be for a particular group of FSPs that have a strategic intent to move into a new geographic area or a target group, but lack incentive to undertake this risk. Risk Capital Grants facilitate market development. Risk Capital grants will be:

- Extended to those institutions that will expand to new target groups, develop new products or go to extremely difficult to reach areas, such as areas troubled by civil conflicts;
- Performance Based where disbursement of grants will be linked to achievements of targets;
- Available to selected institutions with reasonable systems in place and whose ideas show the greatest potential and impact.

Technical Assistance will be provided by UNCDF directly contracting experts necessary to assist institutions with high potential to reach the target group, but that require support to reach this market. Technical assistance is particularly helpful to institutions that have both the interest and the resources, but lack the expertise. Technical Assistance will be:

- Short-term to support strategy and business plan development for high potential FSPs to expand their services into the target market.
- Medium to long-term to support pilots that have the potential to be highly scalable.
- For targeted market research to assist actors in developing products and delivery channels that are appropriate and sustainable.

Market Development Facility Governance

The market development facility governance structure will be embedded in the CPAP governance mechanism which will be responsible for approving the AWP, overseeing and monitoring the progress and approving the policies.

The EFA staff under the CPAP governance structures will recommend and cause to be selected for funding those FSPs that are best able to scale up, prioritizing those whose business plans address the target segments, and whose strategies and capacities are likely to best support UNCDF broader objectives including addressing gender, digital finance, youth, clean energy and responsible finance²⁵.

The dollar amount at the time of receipt (receipts are spread out over the programme lifetime) may differ from this dollar amount.

²⁵ UNCDF will work with UNDP and the CPAP governance structures to set up the necessary committees for fund allocation.

Fund disbursement

The MDF will request proposals from service providers through public advertisements, listing the criteria and purpose for accessing the funds. The designated committee will thereafter review the responses, and select FSPs to receive the proposed loans and grants in each cycle.

From the Market Development Facility each service provider will receive funds depending on their business case, and existing operational capacity. A service provider will be defined generally to include MFIs, banks, MNOs, savings groups (e.g. individual savings groups or service providers targeting such groups) and others. Criteria for fund disbursement will include value for money: the cost of technical assistance and grants/loans requested from the MDF should catalyze results that are significantly greater at the end of the project period, in terms of savings mobilized and/or loan portfolio. Criteria will also include that the costs to acquire a client are reasonable. UNCDF loan policy will apply to any loans given and loans will be within the life of the Project.

The disbursement schedules will be determined in consultation with the service providers. At the end of their loan periods, loans will be paid back to the UNCDF central accounts, apart the contributions received through the revenue sharing arrangement (see footnote)²⁶. The loans repayment period should be within the duration of the project so that the returned funds could be used to implement activities foreseen in the EFA project.

Wherever possible the funding given to beneficiary FSPs will be accompanied by the other EFA project objectives and support, particularly on product development and on enhancing operational capacity. Benefiting service providers will therefore likely benefit under multiple activities, including help to develop a wider range of affordable and relevant products and especially savings products for the target population and un-collateralized loans for MSMEs. This will be achieved through direct technical assistance, as well as pilots conducted in conjunction with the service providers. Efforts to improve the customer capability of target populations to access and use financial services will also be linked to the markets served by the benefiting FSPs.

The benefiting institutions will be monitored and tracked, to ensure that the funds are appropriately and effectively used and to ensure that the activities yield the desired results. A Fund Management Report will be produced annually to detail the extent and purpose of the loans and grants, as well as summarize the outcomes from the monitoring and tracking process. The service providers will also be evaluated for impact at selected time intervals (see section on monitoring, reporting and evaluation).

The MDF will be fully operational from March 2016. A number of details will be resolved during the Facility development phase, including the application and selection process, the disbursement process and structure to receive the cash refunded by loan recipients, among others. The current UNCDF loan policy requires that all payments of principals, interest and any other amounts falling due by the borrower under the loan agreement should be transferred to UNCDF central accounts, with exceptions on a case by case basis (e.g. political, sanctions, specific donor requirements). Thus, it is anticipated that money relating to the non-core (parallel) funding contributed through the revenue sharing arrangement will be repaid into the project in order to meet the constraints described in the Transfer Agreement between the Government and UNDP. In developing the Facility lessons learnt within UNCDF from other initiatives such as the regional programme SHIFT or the Lao PDR country project Making Access to Finance more Inclusive for Poor People will be leveraged.

The design and operationalization of the fund facility, and UNCDF's involvement, will be formally approved by UNCDF's Executive Office. The Fund Facility will undertake a simple grant mechanism within the project environment, which is executed through a budget line under the EFA project. The Fund Facility will undertake technical review of applications to ensure thorough review and analysis of applications, and make

²⁶ The UNCDF loan policy requires loans to be repaid to UNCDF central accounts apart from some exceptions to be dealt with on a case by case basis. Thus, in the case of the funds received through the revenue sharing arrangements in the amount of 6,271,833,200 Kyat, the Government of Myanmar has explicitly requested that this money stays in country, which is reflected in the transfer agreement between the government and UNDP. Thus loan repayments relating to this contribution will be repaid back to the fund in Myanmar.

recommendations for approval by the fund board. At inception, the Fund is likely to function like most other UNCDF projects within the legal identity of the project document.

The long term objective of the fund is to develop sustainable and scalable models, especially for FSPs, in order to build a healthy and sustainable market, and hence bring about lasting change to the lives of the poor and especially women and other marginalized groups.

5.2.2 Capacity support for cooperatives

In addition to the support for FSPs, the EFA project proposes to also focus on cooperatives. The project will provide technical support through training as well as grants to improve operational aspects thereby improving capacities of cooperatives to manage and deliver financial services that meet client requirements. The EFA project will also seek to improve the reporting mechanisms, particularly on the use of indicators to measure the quality of the cooperatives including portfolio quality and sustainability.

Under this activity it is proposed to have various trainings on strengthening cooperatives.

In line with EFA emphasis on mobile as an enabler of financial access in Myanmar, it is proposed to explore options for the assisted cooperatives to become part of the ecosystem through mobile technologies, to further support the proposed collaboration with UNCF global expertise in mobile money (see Section 5.2.3 below).

The cooperative sector presents significant opportunity for UNCDF to make impact on financial inclusion in Myanmar and build on the existing initiative through MicroLead, and where necessary UNCDF will leverage other organizations in achieving the objectives, notably ACCU which is currently supported by UNCDF through MicroLead. ACCU focuses on cooperatives and has developed strong relationships with the Central Co-operatives Society (CCS) which is the coordinating body for all cooperatives in Myanmar. CCS works directly under the Ministry of Co-operatives, and is a primary channel through which the Ministry reaches out to the individual cooperatives.

Under this activity, the EFA project will also seek to identify concrete entry point to include capacity development initiative of the UNDP supported township leading groups of SRGs (Self Reliance Groups) to strengthen their institutional capacity to provide adequate training and capacity development for their members at village level of which a reasonable number has been registered as cooperatives. This will also contribute to the economic empowerment of women.

5.2.3 Product Development Support

Specific product areas will be addressed as described further below. However the EFA project will in addition work to develop suitable product portfolios that address specific market segments, particularly for vulnerable groups i.e. women and youth. Where necessary the EFA project will get support from UNCDF GTIs to ensure that access to such products is linked to concrete economic opportunities. For example the EFA project will explore opportunities with its global expertise to coordinate actions of FSPs and other players working in the youth sector, to design and deliver financial and non-financial products and services for youth in ways that complement each other, that impact on and motivate the youth to seize economic opportunities in sectors with the greatest potential (e.g. agriculture), and at a macro level ensure policies and regulations facilitate youth transitions to economic independence.

5.2.3.1 Mobilizing savings

Savings as a financial service for building resilience, meeting investment needs and risk mitigation requirements has been established through various research and impact studies globally. It is important to move the frontiers of Myanmar's financial markets to mobilize savings – that not only enables the poor and vulnerable to invest in their social and economic well-being, but also serves as a capital base for FSPs to on lend to the same segment. This also strongly supports government objectives as savings has been identified as a key objective in the microfinance law.

The Financial Service Providers need capacity building to handle liabilities and risks associated with savings. Until the FSPs have the capacities, mobilizing deposits in these institutions would have immense risks for both institutions and clients. It is proposed to provide technical assistance support to selected institutions to strengthen their operations, processes, MIS, Risk Management and Audit and overall institutional and human capacities to mobilize and manage deposits. Research, product development and piloting on ways to mobilize and manage deposits at rural and urban level will be undertaken.

The EFA project will build on UNCDF's experience through MicroLead in Myanmar on savings. That work has highlighted the importance of addressing barriers at a regulatory level, as well as at an FSP level and this will be a key focus for EFA. Additionally, the EFA project will work with an extended range of FSPs, including for example exploring the potential for informal mechanisms like savings groups to be leveraged and converted into formal savings mechanisms. Youth cooperatives could also offer potential in this area.

The EFA project work streams will support promoting client centric research and technical assistance to institutions to help the FSP to develop stronger savings instruments. Focus will be given to women, youth and the promotion of clean energy finance.

5.2.3.2 Catalyzing digital financial services

Electronic payments and in particular mobile payments form a key part of the UNCDF global agenda, through UNCDF global expertise in mobile money, as well as transitioning to digital cash transfers. It is proposed for EFA to provide some funding and to collaborate with these global programmes in order to ensure that the EFA project contributes meaningfully and efficiently to this important area of financial inclusion.

It is proposed to focus on several areas:

- Ecosystem development: partnerships between all stakeholders and providers to reinforce digital finance ecosystem. Stakeholders include the Central Bank, Government, banks, MFIs, MNOs, value chain players, donors, etc.), coordinated at a working group level and supported by the necessary expertise;
- Policy and regulation: support improved policy environment, information collection, and customer focused research;
- Increasing usage of digital finance through amongst others promotion of and support to G2P, support to providers, research and product development support (pilots);
- Improvements to and expansion of the agent network, including developing new business models to develop network in more challenging areas;
- Foster entrance of new stakeholders on the market with different types of partnership, supporting stakeholders to draft strategies and business plans to enter/develop in the market.

A scoping and country strategy is anticipated within 2015/2016, followed in subsequent years by the deployment of branchless banking and mobile financial services technical expertise, and grants to enable innovation and roll out of pilots and new products by FSPs.

5.2.3.3 Assist regulators to encourage new product design

This output will focus on providing technical support to the FRD, Ministry of Finance and the Ministry of Cooperatives, in dedicated research but also in synergy with the initiatives above in savings and in electronic payments sector development. The anticipated support provides assistance to regulators to encourage financial products and services aligned to sectoral and segmental needs. The Technical Assistance is targeted at encouraging the growth of services based on mobile, including e-savings and payments, but also agency banking and cash agent models, education and clean energy loan products and agriculture finance.

At least 3 new products will be enabled by regulators, targeting the identified areas as well as women, youth and clean energy finance.

5.2.3.4 Building client capacities

To address issues of lack of trust and inappropriate financial products for the client, research on consumer behaviour will be undertaken through financial diaries methodology for informing the sector on client behaviour. Work will be done to integrate the financial literacy capacity building initiatives into the target financial institution's service provision in sustainable manner. The EFA project will also integrate the lessons learned from UNCDF GTIs in terms of the possible business models that financial institutions may use to build the financial capability of clients, in particular women and youth, in a sustainable manner. It will also draw on their expertise to help government design and implementation of National Financial Education strategies that envision delivering financial literacy including as part of the national curricula at schools.

At least 3 products and FSPs are improved to better serve low income clients as a result of the results learnt in the financial diaries.

5.2.4 Targeted Support for Agriculture

Targeted initiatives in the Agricultural sector that complement EFA other work with MFIs and Cooperatives is envisaged, focusing on Technical Assistance to help improve MADB lending portfolio management, and to build capacity in agricultural value chain financing. MADB is currently the largest provider of financial services in the agriculture sector.

Agriculture has been identified by the Roadmap as one of the key sectors to strengthen financial inclusion and, in this regard, UNCDF will build on experiences from other countries in the region (i.e. Nepal).

Under this activity:

- MADB personnel will attend the exposure visits for key personnel from Government Counterparts, which is aimed at deepening their understanding of regional and international financial inclusion policies best practices.
- MADB personnel will attend the training Courses for key personnel from Government Counterparts, which is aimed at strengthening their supervisory capacity.
- A needs analysis will be conducted into value chain finance, with a focus on capacity building through training, exposure visits and knowledge exchange for key players, and the crowding in of investors into the agricultural value chain. As women are heavily involved in agricultural production a gender focus will be applied to the research.

At least 2 exposure visits will be arranged with the participation of MADB staff and 2 investors are expected to crowd in during the life of the project.

5.2.5 Targeted Support for MSME

Interventions in the MSME sector that support EFA work with FSPs and Cooperatives are also envisaged, focusing on Technical assistance and research to help FSPs deliver un-collateralized loans to MSMEs, including women and youth focused MSME (i.e. owned by, employing or serving youth and women).

Most service providers in Myanmar are not suited to provide financial services to small businesses. This is due to lack of knowhow as well as other market factors such as historical practices. Under this activity the EFA project will assist service providers to build the capacity to manage and deliver financial services to MSMEs, firstly by carrying out a needs assessment, then by helping develop the required products and operational and human capacity, piloting potential products, and building the capabilities of the FSPs around the identified products. Technical assistance, training, workshops and grants will be used to achieve these objectives.

At least one financial product will be piloted, and capacities of FSPs built around this product through technical assistance and trainings.

5.3 Output 3: Knowledge Management and Sharing

Learning and knowledge dissemination will be implemented to dynamically adapt the project over time, and to encourage good practices in the regional financial inclusion agenda and hence contribute to the global financial inclusion agenda.

Learning and Knowledge Management form a particularly important emphasis for EFA as the project is intended to remain flexible, aligning its annual targets and priorities based on developments in the market, as well as successes and failures recorded during implementation. Monitoring, careful recording, and sharing of project learnings will therefore be ensured through various tools. Such tools will include a mix of workshops, webinars, blogs, publications (brochures, research papers and short articles and focus notes) and conferences. The communication materials produced will be available on the UNCDF and UNDP Myanmar website. The communication strategy will also be in line with related GTI communication strategies.

The knowledge management plan will be focused on the 5Ps of the knowledge management strategy: People, Processes, Products, Platforms and Partnerships.

1. **People:** training, and capacity building

Training and development will be focused on building the capacity of EFA staff and government counterparts, as well as staff of other regionally based organizations on the Roadmap implementation methodology and best practices. Four broad thrusts for the training initiative have been identified:

- a. **Internal Training:** Interaction with experts including UNCDF GTIs and local UNDP experts will help to ensure the capacity building for local staff as well as the deployment and development of new best practices. Such learning and sharing partnerships will enable EFA staff to remain at the forefront of financial inclusion issues, and it is anticipated that staff receiving exposure and training will pass it on locally in implantation but also to government counterparts. The expertise is envisaged to be delivered through local workshops, attendance at regional conferences, and interaction with regional and global counterparts at UNCDF.
- b. **Training for national government counterparts:** A number of training programmes are planned for government counterparts under EFA including for capacity building and to enable the government to support and take meaningful part in EFA activities. The training will be coordinated and where appropriate standardized with similar UNCDF trainings elsewhere through the learning and sharing function. National workshops and training events will help relevant government staff to appreciate any broader changes in project strategy. Annual reviews will be set up for reviewing and setting up Annual Work Plans within the Secretariat environment, which will draw on the lessons learnt and knowledge gathered.
- c. As part of its outputs the EFA project will feed back to the SHIFT and Global MAP programmes to ensure that learnings are incorporated into the regional approaches for financial inclusion, and

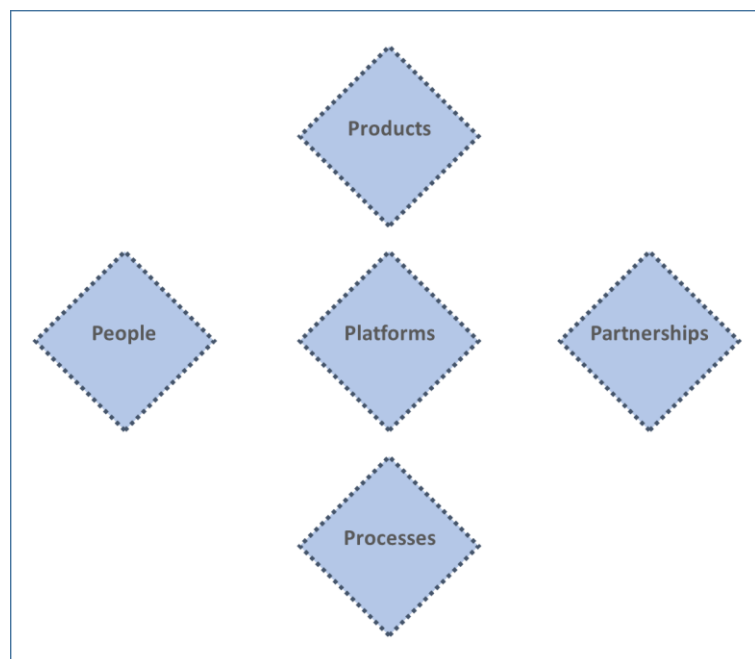


Figure 5: Knowledge management plan - 5P

hence into the global arena. Learnings will also be fed into the global MAP programme management unit on a quarterly basis where those might impact on future MAP roll outs. At a local level the EFA project will seek to coordinate with and share learnings with other local UNCDF and UNDP projects working in the area of financial inclusion.

- d. **Financial inclusion learning and sharing forums:** A key component of EFA is to share the ideas and learnings more widely within the Myanmar stakeholder environment and especially locally based FSPs and donors. It is anticipated that a national learning and sharing forum will be held annually for EFA. This is envisaged to amongst other issues look at the key learnings from EFA, implications for financial inclusion and likely benchmarks for best practice for others including Government's intending to implement National Financial Inclusion Strategies.

- 2. **Processes:** Streamline EFA operational processes including developing standardized guidelines and processes - EFA will generate a significant database of information during implementation, in the form of data, analysis and outcomes. Processes for regularly and consistently collecting and disseminating learnings, knowledge management and best practices will also be developed during the project.

A resource within EFA will form a central point of contact for knowledge and learning, in order to ensure that the knowledge generated is available centrally and in an appropriate format.

3. **Products:**

- a. **Research outputs:** A core objective of the EFA project is to develop knowledge to shape the future phases of the project as well as financial inclusion in Myanmar and regionally. As part of the project, knowledge products will be produced and published to help in establishing EFA as leadership platform. These will include research papers, short articles to maintain interest and continuity (e.g. blogs), and focus notes.

4. **Platforms:**

- a. **Intranet:** All EFA legal documents, reports, final products and final versions of documents will be stored in the UNCDF intranet under the EFA Myanmar project
- b. **UNCDF website:** The EFA website presence will be developed in close coordination with UNCDF and the local partners and their respective communications units. Any website presence will be directly linked to the UNCDF website.
- c. **Knowledge management and sharing among partner projects and access to same documents and discussions:** EFA will endeavor to enhance communication among its partners and FIPA and to store working documents, hold discussions and invite experts.
- d. **Webinars:** learning and sharing forums will be done through webinars once a year, to share learnings and new ideas with UNCDF staff and external partners when needed.

- 5. **Partnerships:** Build knowledge and research partnerships - In sharing the results and learning from the project, UNCDF will closely coordinate with the communications unit of UNDP Myanmar and will, where applicable, opt for joint publications and branding. The knowledge function will also interact closely with the UNCDF FIPA, SHIFT programme, GTIs, MAP, and UNDP Myanmar and other organizations with an interest in Myanmar.

Following the building market systems approach, the knowledge management and sharing output forms a higher-level result of the project, focused on influencing the market, providing a demonstration effect and crowding in of others in order to maximize impact. Robust knowledge management will also ensure

long term relevance and impact, especially as the EFA project starts to contribute to the regional financial inclusion discourse and agenda.

5.4 Cross cutting Issues – Gender

UNCDF's approach to reducing the gender gap has been a stakeholder/partnership approach that emphasizes the need to expand women's overall level of access, by helping policymakers and financial services providers appreciate the need to understand what women value when it comes to viable financial products and services. There is value for financial services providers to draw lessons from the informal financial systems to better cater to women clients' financial needs and preferences, as women are often found within this sphere. Through technical assistance and the establishment of a Market Development Facility, UNCDF and the EFA project can work in partnership to identify innovative ways in both financial and non-financial markets to better support women's inclusion in the formal economy.

UNCDF recognizes the importance of using deliberate strategies to address gender-specific constraints to access to and use of financial services, and places a particular emphasis on identifying and promoting strategic approaches to enable women to fully participate in and benefit from financial inclusion.

To ensure gender is mainstreamed into EFA interventions, from design, through implementation, monitoring and evaluation, UNCDF has aligned its strategy with both the United Nations Development Programme (UNDP) Gender Equality Strategy, as well as the UNCDF strategy on Gender Equality and Empowerment of Women (GEEW).

Additionally, UNCDF will specifically look at issues that restrict women from accessing regulated financial services, working to ensure that practices of financial service providers comply with and promote gender equality. Each output under the EFA project during implementation will seek to mainstream gender into its activities and evaluation frameworks. In this regard UNCDF will:

- Provide grant support to FSPs working to develop business models that specifically serve low-income women, and MSMEs which are either run by or mainly employ women.
- Include, promote and support the collection of gender disaggregated data on access to financial products and services within institutions that the project supports;
- Promote gender equality in capacity building to the labor force working on achieving pro-poor financial inclusion and women in leadership;
- Support policy initiatives which are directed towards the development of enabling policies for women's financial inclusion (both individually and MSMEs);
- Promote integration of women from different economic and social backgrounds, and be a strong advocate for gender equality through capacity building activities for decision makers and FSPs;

EFA project will aim to develop interventions that positively promote a closing of the gender finance gap over the long term. In order for the EFA project to draw conclusions and understand how greater financial inclusion can lead to improvements in women's livelihoods, the project will support the following:

- Women as clients of financial service providers needing to manage individual and household financial needs (*the household route*);
- Women as entrepreneurs and business owners seeking to manage finances or grow their business (*the women in business route*);
- Women as employees of businesses and FSPs that can benefit from increased financial inclusion (*the employment route*);
- Women as customers of businesses that can benefit from increased financial inclusion (*the indirect route*).

In Myanmar through MicroLead, UNCDF embeds the attention to women economic empowerment commitment into the Performance Based Agreements for all its FSP grantees by setting a minimum threshold of 50% for women borrowers, women depositors, women staff, women in senior management and with 30%

quotas for female board members. This will be expanded to more FSPs under the EFA project. Recent research conducted by UNCDF in Myanmar also highlights the need for a comprehensive strategic approach for women's economic empowerment. FSPs in Myanmar (including beyond those already in the grantee project) could be assisted by conducting business analysis to assess the investment/return ratio achievable from including gender as an integral component to their business plans, to carry out internal business assessments on how to integrate women's economic empowerment into their businesses (from product design, advertising and marketing, employment policies, recruitment policies to investment strategy) and to develop women tailored services. For FSPs to maximize their support to women, the regulatory space will also be supported under the various initiatives to allow for greater flexibility in the design of new financial products which address barriers women face.

The FRD and the local FSPs with the support of UNCDF are therefore in a unique position to learn and be inspired from the world's best practices, and make women's economic empowerment a key driver for national economic growth as well as powerful investment opportunity for FSPs.

In full alignment with UNCDF attention to gender issues, the EFA project will therefore contribute to achieve greater women Financial Inclusion in Myanmar with the objective to boost the Myanmar economy and reduce the women access to finance gap between Myanmar and other ASEAN Countries.

5.5 Sustainability and Impact (Exit strategy)

Impact and sustainability will continue beyond the life of the project as the deepest focus of the EFA interventions will be to increase the capacity and sustainability of the various partners we work with. The technical assistance provided will encourage sustainable financing models, modernisation of FSPs, increased innovation and best practice, culture change, new delivery models, user-centered approaches, and new partnerships and business models that together will ensure sustainable (lower) business costs and risk, increased confidence by consumers in FSPs and more broadly sustainable models. These improvements will lead to FSPs reaching deeper into the middle/lower income MSME markets, both in the period leading to 2020 and beyond.

The project will conclude in 2020 and will ensure that loans are repaid within the project duration. As discussed earlier, it is an express requirement that funds contributed from PGMF are utilized within Myanmar for the further advancement of the sector. UNCDF anticipates that the use of lending as a market development tool is a short term measure to build confidence in the market, and will not be required after some initial period. As part of the flexible project roll out, a paper will be developed during the programme assessing the potential timing for the full establishment of an adequate enabling environment, as well as the options for an exit strategy and recommended alternative use for the funds. It is anticipated that once a market development facility is no longer needed, the PGMF funds recovered could be redeployed into (for example) grants within Myanmar for further market development. Such a decision will be made by the EFA project responsible management board, in coordination with the executing agency, and will include options to retain the funds within UNCDF, or alternatively the modalities on the transfer of ownership of the loan funds to an appropriate institution.

Interventions relating to empowerment of FSPs including technical assistance, grants and non-grants will end with the formal disbursement of the assistance, although the beneficiaries will be monitored over a longer period of time for the anticipated impact to be measured. The assisted organisations will become examples for other FSPs and projects in Myanmar, ensuring sustainable replication.

The government (primarily the MoF, FRD and MoC) understanding of financial inclusion and the need for an enabling environment will be increased. The regulatory environment will be more enabling in particular for scale up, increasing the depth and outreach of financial services. The government (via the steering committee) will also be able to fully own the financial inclusion Roadmap and process, and have the capacity and tools to monitor the Roadmap implementation.

VI. RESULTS AND RESOURCES FRAMEWORK

6.1 Work plan

The 2015 Annual Work Plan is attached as Annexure B.

6.2 Results and Resources Framework (RRF)

The RRF reflects a total proposed total budget of USD 25.4 million. To ensure that commitments are only for the funded portion of the budget, in parallel with the overall budget UNCDF will maintain a detailed budget for the funded portion, and will update this as additional portions of the unfunded portion become funded.

Table 4: Results and Resources Framework

Development Outcome: Equitable and sustainable inclusive growth, contributing to the achievement of Myanmar's, post-2015 Sustainable Development Goals (SDGs) (particularly on poverty alleviation, inclusive growth and on reducing inequality), and national poverty alleviation goals, by supporting the implementation of the Financial Inclusion Roadmap and particularly two of the priorities identified therein, institution building and addressing critical market barriers.										
Project Outcome: By year 2020, the financial sector is strengthened and is able to better support financial inclusion, with formal inclusion in Myanmar increasing from 30% to 40%, percent of adults with more than one product increasing from 6% to 15%, and a full range of affordable, quality, effective and responsible financial services being available to the target clients (MSME, small-scale farmers, women-led enterprises, youth, poor and low income) by getting all stakeholders to work together in an integrated manner: at least 830,000 low income beneficiaries (50% women) directly benefit as a result of the project, and at least 3,000,000 indirectly.										
Project Outputs	Implementing Agency	Activities for each output	Resource Allocation and Indicative Timeframe						Total Budget (USD)	Secured Budget (USD)
			2015	2016	2017	2018	2019	2020		
Output 1: Policy and regulatory environment is strengthened. Targets: Roadmap is successfully implemented; Institutional capacity of government counterparts strengthened, resulting in an enabling regulatory environment.	UNCDF	1.1 Support to implement Financial Inclusion Roadmap	45,000	52,000	532,000	32,000	32,000	22,000	715,000	126,000
		1.2 Supportive regulatory environment	60,000	50,000	190,000	120,000	70,000	20,000	510,000	116,000
		1.3 Staff overheads	140,734	347,158	313,658	313,658	313,658	313,658	1,742,522	572,721
		Subtotal Output 1	245,734	449,158	1,035,658	465,658	415,658	355,658	2,967,522	814,721
Output 2: Strengthened capacity of Market participants. Targets: Strengthened FSPs; Increased access to and usage of products; Increased range of affordable, quality and	UNCDF / Project Board	2.1 Market Development Facility	75,000	670,000	3,275,000	3,320,000	1,320,000	260,000	8,920,000	3,123,806
		2.2 Capacity of cooperatives to deliver financial services	65,000	295,000	910,000	760,000	760,000	120,000	2,910,000	145,000
		2.3 Mobilize savings	-	160,000	410,000	380,000	100,000	-	1,050,000	85,000

Development Outcome: Equitable and sustainable inclusive growth, contributing to the achievement of Myanmar's, post-2015 Sustainable Development Goals (SDGs) (particularly on poverty alleviation, inclusive growth and on reducing inequality), and national poverty alleviation goals, by supporting the implementation of the Financial Inclusion Roadmap and particularly two of the priorities identified therein, institution building and addressing critical market barriers.

Project Outcome: By year 2020, the financial sector is strengthened and is able to better support financial inclusion, with formal inclusion in Myanmar increasing from 30% to 40%, percent of adults with more than one product increasing from 6% to 15%, and a full range of affordable, quality, effective and responsible financial services being available to the target clients (MSME, small-scale farmers, women-led enterprises, youth, poor and low income) by getting all stakeholders to work together in an integrated manner: at least 830,000 low income beneficiaries (50% women) directly benefit as a result of the project, and at least 3,000,000 indirectly.

Project Outputs	Implementing Agency	Activities for each output	Resource Allocation and Indicative Timeframe						Total Budget (USD)	Secured Budget (USD)
			2015	2016	2017	2018	2019	2020		
Effective financial services; Crowding in of investment in value chain finance; FSPs able to deliver high volumes of un-collateralized MSME loans.		2.4 Catalyse payments	45,000	180,000	730,000	740,000	500,000	200,000	2,395,000	75,000
		2.5 Support to regulators to encourage new products	-	115,000	115,000	65,000	35,000	-	330,000	-
		2.6 Consumer capability to access & use financial services	-	55,000	125,000	55,000	-	-	235,000	-
		2.7 Targeted TA in agriculture	-	60,000	202,000	160,000	90,000	40,000	552,000	-
		2.8 Capacity support for FSPs to better serve MSMEs	-	60,000	350,000	250,000	-	-	660,000	-
		2.9 Staff overheads	22,580	398,174	398,174	398,174	398,174	398,174	2,013,452	873,180
		2.10 Other Technical Expertise	-	30,000	30,000	30,000	-	-	90,000	-
		Subtotal Output 2	207,580	2,023,174	6,545,174	6,158,174	3,203,174	1,018,174	19,155,452	4,301,986
Output 3: Knowledge and Learning Targets: Effective and efficiently targeted project; Regional and Global impact; Effective	UNCDF	3.1 Sharing, learning and knowledge incl translations	40,000	40,000	55,000	50,000	50,000	50,000	285,000	120,000
		3.2 Project formulation and research	130,000	75,000	110,000	110,000	110,000	60,000	595,000	195,000
		3.3 Research/data analysis for policy advocacy	-	30,000	-	-	-	-	30,000	-

Development Outcome: Equitable and sustainable inclusive growth, contributing to the achievement of Myanmar's, post-2015 Sustainable Development Goals (SDGs) (particularly on poverty alleviation, inclusive growth and on reducing inequality), and national poverty alleviation goals, by supporting the implementation of the Financial Inclusion Roadmap and particularly two of the priorities identified therein, institution building and addressing critical market barriers.

Project Outcome: By year 2020, the financial sector is strengthened and is able to better support financial inclusion, with formal inclusion in Myanmar increasing from 30% to 40%, percent of adults with more than one product increasing from 6% to 15%, and a full range of affordable, quality, effective and responsible financial services being available to the target clients (MSME, small-scale farmers, women-led enterprises, youth, poor and low income) by getting all stakeholders to work together in an integrated manner: at least 830,000 low income beneficiaries (50% women) directly benefit as a result of the project, and at least 3,000,000 indirectly.

Project Outputs	Implementing Agency	Activities for each output	Resource Allocation and Indicative Timeframe						Total Budget (USD)	Secured Budget (USD)
			2015	2016	2017	2018	2019	2020		
partnerships and synergies with other projects.		3.4 Staff overhead	16,411	44,823	54,886	54,886	54,886	54,886	280,777	104,574
		3.5 Monitoring and evaluation	-	-	120,000	-	-	120,000	240,000	165,815
		Subtotal Output 3	186,411	189,823	339,886	214,886	214,886	284,886	1,430,777	585,389
		Subtotal Outputs		639,725	2,662,155	7,920,718	6,838,718	3,833,718	1,658,718	23,553,752
GMS		8%	39,178	205,772	630,457	545,497	306,697	132,697	1,860,300	432,168
Total Funding		USD	678,903	2,867,927	8,551,175	7,384,215	4,140,415	1,791,415	25,414,052	6,134,264

6.3 Risk Analysis

The risk analysis is included as Annexure C.

VII. EFA IN THE CONTEXT OF ONE UN AND ONE UNCDF

7.1 Support for Myanmar Financial Inclusion Roadmap Objectives

The EFA project as noted earlier supports the Myanmar Financial Inclusion Roadmap 2014 – 2020, especially in the priority areas of institution building and addressing market barriers. The EFA project will be central to ensuring that the Roadmap is implemented, by setting up a Secretariat to coordinate inter-ministerial activity related to the Roadmap, as well as assisting the government to track progress of the Roadmap implementation. The Secretariat will also assist the government to ensure that development partners supporting the Roadmap implementation report regularly on progress achieved, according to KPIs established by the government.

The major contributions of EFA to the Roadmap results framework are summarized as follows:

- **Goal:** Common focus on poverty reduction and growth through the potential to increase Financial Inclusion in Myanmar from 30% to 40%, those with more than one product from 6% to 15%, and the enablement of a full range of affordable, quality, effective and responsible financial services by getting all stakeholders to work together in an integrated manner.
- **Aligned Outputs and Activities:** the EFA project has budgeted to contribute materially in areas where the requirements of the Roadmap match the expertise and core competencies of UNCDF, such as helping to create a supportive regulatory and structural environment, capacitating FSPs through market-based approaches, and addressing market barriers through several levers e.g. savings and mobile payments. In areas where UNCDF is well-positioned but other development partners are also able or interested to deploy resources, UNCDF will work with development partners to minimize duplication and ensure resources are invested optimally, e.g. ongoing discussions with the World Bank and USAID.
- **Other Outputs and Activities:** Where appropriate within these other areas, the EFA project has proposed to leverage its project resources in solidarity with other players, however selecting only the few that are in synergy with its other proposed work plan. This is, for example, the case with organizing exposure visits for MADB. However, more generally, UNCDF will address these areas through the Roadmap Secretariat, mainly by crowding in and working with other development partners within the Roadmap framework to ensure that they address areas in line with their own core competencies.

A more complete description of the alignment between the Roadmap and the EFA project is included as Annexure A.

7.2 Support for Global MAP Project Objectives

The EFA project will also support the Global MAP project, by supporting three of its outputs, namely; ensuring that countries are enabled to meet their national commitments to financial inclusion through the development and implementation of a country Roadmap and strategy, Global Advocacy by providing Myanmar country insights (via SHIFT) to enable global MAP to engage and contribute to the global financial inclusion agenda, and Knowledge and Learning by providing country level lessons into the MAP process.

The support to the MAP Output 2, *“Process in place for development and implementation of national roadmaps and action plans”* is particularly relevant, and EFA results will directly impact on Activity 2.2 (Smooth handover to host government) and Activity 2.3 (Kick-start programming by investing seed capital and canvassing support from other local development partners). The following MAP targets will be impacted:

- 2015: >50% of Myanmar Roadmap funding raised; Roadmap explicitly supports UNCDF strategy on DFS, gender and responsible finance; Roadmap supported by at least 3 donors
- 2016: Programming progress against plan >70% in Myanmar; Roadmap updated after MAP refresh completed
- 2019: Programming self-sustaining in Myanmar

The global MAP programme also relies on the MAP partner in-country staff to track and report on progress, which is critical in the reporting, monitoring and evaluation of the global initiative. The Secretariat proposed under EFA will be useful in assisting UNCDF in-country staff report to the MAP PMU.

The support to Output 3, “*Global Advocacy*” will be through Activities 3.1 (case studies, policy, programme or sector briefs, blogs and focus notes and National and regional meetings to share lessons), activity 3.2 (thought leadership research publications) and Activity 3.3 (innovation-focused projects to further knowledge in specific areas e.g. agriculture, SMME, gender) where Myanmar contributions will form a significant proportion of the MAP knowledge base.

Similarly, support to Output 4 “*Knowledge and learning*” will be through Activity 4.1 (Prepare templates and toolkits and make publicly available), where information and data from Myanmar where appropriate will form part of the toolkits as well as part of MAP data available for sharing publicly.

7.3 SHIFT Programme

As noted above, UNCDF has launched the SHIFT programme at a regional level. SHIFT is expected to reinforce and support the EFA project in Myanmar through its focus to work with local stakeholders to advocate for pro-poor financial sector development by identifying common constraints and opportunities in different markets, facilitating collaboration and learning, establishing a Challenge Fund Facility in Myanmar to incentivize the new models, for example, commercial partnerships or service delivery models, and focus to promote research for innovative methods and tools to increase formal financial usage.

SHIFT Outputs relate to EFA as follows:

- Synergies on capacity building initiatives and regional linkages programme for regulators.
- Synergies on the learning and sharing agenda, with the EFA staff potentially making presentations at EFA learning and sharing forums, and contributing to SHIFT learning materials and toolkits.
- SHIFT Challenge Fund Facility for new, replicable and scalable partnerships and service delivery models that lower the cost of financial intermediation at client and retailer levels will provide new potential products for EFA to deploy in Myanmar. Equally, EFA initiatives to encourage new products, partnerships and service delivery models that are suitable for the poor may yield products that become relevant to SHIFT.
- Financial diaries proposed under the EFA project will provide research input to the SHIFT programme.
- The focus on increasing financial usage, including promoting new client acquisition approaches to increase use of formal financial services, will also offer opportunities for the EFA project to benefit from SHIFT research and proposals.
- EFA and SHIFT will share in-country contact points and resources for activities within Myanmar where possible, such as the EFA staff based at FRD.
- SHIFT has a strong emphasis on the economic empowerment of women and youth, and the EFA project will benefit from SHIFT’s initiatives in this regard.

7.4 MicroLead Expansion Programme

MicroLead has been active in Myanmar and has focused on various areas identified under EFA as requiring further and deeper support. These include MFI development, development of the cooperatives sector, Financial Diaries, gender empowerment, and savings among others. There are strong synergies with the

MicroLead Programme, and EFA will leverage and further build upon this experience in Myanmar. In addition, EFA will build on MicroLead's knowledge management products.

EFA will maintain a close working relationship with MicroLead.

7.5 Linkage with UNCDF Strategic Framework 2014 – 2017

The UNCDF Strategic Framework 2014-2017 outlines how its mandate will be achieved over the period 2014 to 2017 through three strategic objectives:

- Increasing financing for basic services and sustainable and inclusive growth;
- Establishing financing mechanisms to increase resilience to economic and environmental shocks;
- Fostering policy environment conducive to sustainable financing for sustainable development

The EFA project contributes to all three objectives, particularly through its efforts to mobilize savings and increase the value of the loan portfolio of UNCDF-supported FSPs. In line with the Strategic Framework, the EFA project will place emphasis on sustainability, especially by ensuring a suitable market environment, and also by making FSP products more relevant to end users. The EFA project will support responsible finance directly through customer capability work, and also by helping to improve FSP practices especially in lending.

The link between EFA and UNCDF Strategic Framework is shown as well by the fact that some programmatic indicators link with specific Outputs indicators of the Strategic Framework as indicated in the table below.

Table 5: EFA support for UNCDF Strategic Framework 2014 - 2017

Strategic Framework indicators	How EFA addresses this
• Strategic Outcome 1 - Financing increased for basic services and inclusive growth/local economic development Outcome indicators ◦ Domestic savings mobilized by UNCDF-supported Financial Service Providers • Output 1.1 – FIPA: Improved performance of sustainable, healthy, responsible FSPs leveraging UNCDF funds ◦ Value of loan portfolio of UNCDF-supported FSPs. ◦ Value of savings portfolio of UNCDF-supported FSPs. ◦ % of FSPs that have audited financial statements ◦ % of FSPs making progress toward profitability (return on assets) ◦ % of FSPs meeting portfolio quality targets (PAR 30 days) ◦ % of FSPs that endorse SMART Campaign Client Protection Principles (CPPs) or equivalent	• EFA Output 2 addresses savings mobilization through technical assistance support for enhancing savings-led services for FSPs ◦ EFA indicators: ◦ Value of savings portfolio of EFA-supported FSPs. • In addition, through the Market Development Facility, a number of FSPs will benefit not only from loans but also from Technical Assistance strengthening their capacities and transparencies ◦ EFA indicators: ◦ # of FSPs receiving TA. • All FSPs partners will be required to endorse the Client Protection Principles of the SMART Campaign • All FSPs partners will be required to provide financial statements annually.
• Strategic Outcome 2 - Effective financing mechanisms established to increase resilience to economic and environmental shocks ◦ Number of new products to improve client security, resilience against shocks, and extend the frontiers of inclusive finance as a result of UNCDF support ◦ Number of clients served by these new products • Output 2.1 – FIPA: Improved access to and usage of basic financial services as an effective way to reduce vulnerability and shocks ◦ # of active clients served via products that strengthen client resilience to shocks.	• EFA Output 2 is focusing on strengthening FSPs capacities to offer better products targeting women, clean energy, mobile money, education, agriculture finance among others. ◦ EFA indicators: ◦ # of new products focusing on target groups ◦ # of clients served.

○ # of product innovations in areas such as youth finance, clean energy finance, agricultural/rural finance, mobile money or cash to electronic transitions ○ Volume of government to person transfers	
• Strategic Outcome 3: Policy environments fostered that enable sustainable financing for development Outcome Indicators ○ Number of improvements to the policy environment and enabling ecosystem, including client protection, resulting from UNCDF advocacy and support • Output 3.1: UNCDF-funded diagnostic tools/advocacy initiative provide a key contribution to shaping national governments' agendas on financial inclusion ○ Number of inclusive finance road maps, action plans or national strategies adopted ○ Number of capacity building activities completed by UNCDF to strengthen the capacity of regulators/supervisors, especially to safeguard poor people's savings. ○ Number and quality of approved UNCDF publications (inclusive finance)	• EFA Output 1 and Output 2 focus on strengthening the policy and regulatory environment as well as the capacity of selected market participants. This will lead to the implementation of the Financial Inclusion Roadmap and to a series of trainings and capacity building activities targeting FRD, the Ministry of Cooperatives, FSPs and cooperatives. • EFA indicators: ○ # of decisions and actions undertaken by the Financial Inclusion Roadmap Secretariat, ○ % of progress against the Roadmap plan ○ # of trainings to FSPs and Ministry of Cooperatives ○ # of exposure visits in which FRD and Ministry of Cooperatives are participating ○ # of policy or regulatory improvements • EFA Output 3 focuses on Knowledge Management and Sharing • EFA indicator: ○ # of communications products elaborated and disseminated

Myanmar is an LDC and MAP Myanmar a process pioneer and hence the EFA project has a very key role to play in the success of the global MAP and in the achievement of UNCDF's strategic objectives around the global MAP project. The EFA project will also complement the role of other UNCDF objectives around frontier and core cross-cutting issues, including digitalization of payments, access to clean energy, client protection and gender issues among others. This support will come directly through the EFA initiatives, as well as from the Roadmap implementation process that the EFA project will incubate.

The EFA project will contribute to other strategic objectives of UNCDF, especially in regards to the support for retail FSPs, initiatives to increase access to and usage of basic financial services as an effective way to reduce vulnerability and shocks, product development and for the promotion of savings and micro-insurance. The EFA project will contribute to UNCDF achieving its target of at least 10 million savers through its inclusive finance projects by 2017 (at least 50% of them women).

At an operational level, UNCDF's interventions need to be delivered in partnership with a view to maximize development results. As already highlighted, the EFA project follows this approach, and the EFA project will indirectly facilitate further partnerships during the Myanmar Roadmap implementation.

The EFA project will work in synergy with the other UNCDF GTIs, exchanging knowledge and expertise, and leveraging their learnings in Myanmar. As guided by UNCDF the GTIs will explore the possibility of strengthening and establishing interventions in their respective areas as well as securing additional funding to support these initiatives.

The EFA project will be properly resourced to ensure an efficiently-managed and evaluated project meeting or exceeding all targets, and support UNCDF's institutional effectiveness targets. It will especially improve quality of programming and accountability, ensuring leverage in funding for LDCs, stronger corporate positioning, and the Partnerships Strategy to extend the scale and scope of UNCDF's work.

7.6 Linkage with UN / UNDP Strategic Plans

EFA project objectives are also aligned to the broader UN objectives, including in helping the most vulnerable improve their livelihoods. The contribution of EFA to the UN and UNDP objectives in Myanmar is summarized below.

UN Strategic Framework Outcome(s):	UNSF Strategic Priority 1 and 2: Encouraging inclusive growth and increase equitable access to quality social services.
Expected CP Outcome(s):	CPD outcome #1: Community driven development institutions that support local governance in service delivery; inclusive growth, including agricultural development and enhancement of employment opportunities. Outcome 1.2, CPAP: Positive and sustained rural household income growth rates of targeted poor.
Expected CP Output(s):	CPAP Output 4: Enhanced financial inclusion and entrepreneurship development for targeted households and businesses through the provision of technical support and the establishment of a market development facility for financial service providers. ²⁷

The EFA project will be organized in two phases to align with CPAP programme timelines as discussed earlier.

VIII. MANAGEMENT ARRANGEMENTS

The EFA Project will be managed directly by UNCDF following the Direct Implementation (DIM) rules and procedures. As the Implementing Partner, UNCDF will be entrusted with the implementation of the UNCDF assistance specified in the project document and will assume full responsibility and accountability for the effective use of UNCDF resources and the delivery of outputs.

The programme will be financed through partnerships with bilateral donor agencies, multilateral organizations (Multilateral banks and UN agencies), private foundations as well as UNCDF through core, its Bangkok regional office and MAP. Fundraising is underway with other donors.

8.1 Governance and staffing

As a follow up to MAP, EFA will operationally fall under the UNDP CPAP Pillar 1 output 4 and will be aligned with the the existing Annual Reviews and Annual Work Planning process through the output board. EFA will function under the present governance mechanism as set up by the CPAP, respectively the Output Board of

²⁷ This is the proposed revision of the output for output 4 of pillar 1. The current is the following: Outcome 1, Output 4: Strengthened institutional capacity to support sustainable livelihoods and reintegration programmes

Pillar 1 Output 4 of the UNDP CPAP. The output board, functioning as the EFA Project Board, will be chaired by the FIPA Programme Specialist in Myanmar who is providing leadership and guidance to Output 4 of the CPAP.

The Project Board will ensure oversight and quality assurance functions of the activities outlined in this document. The Project Board consists of all relevant Government representatives, namely Ministry of Finance/FRD, Small Scale Industries Department, Foreign Economic Relations Department, Ministry of Cooperatives, contributing donors and a Chairman.

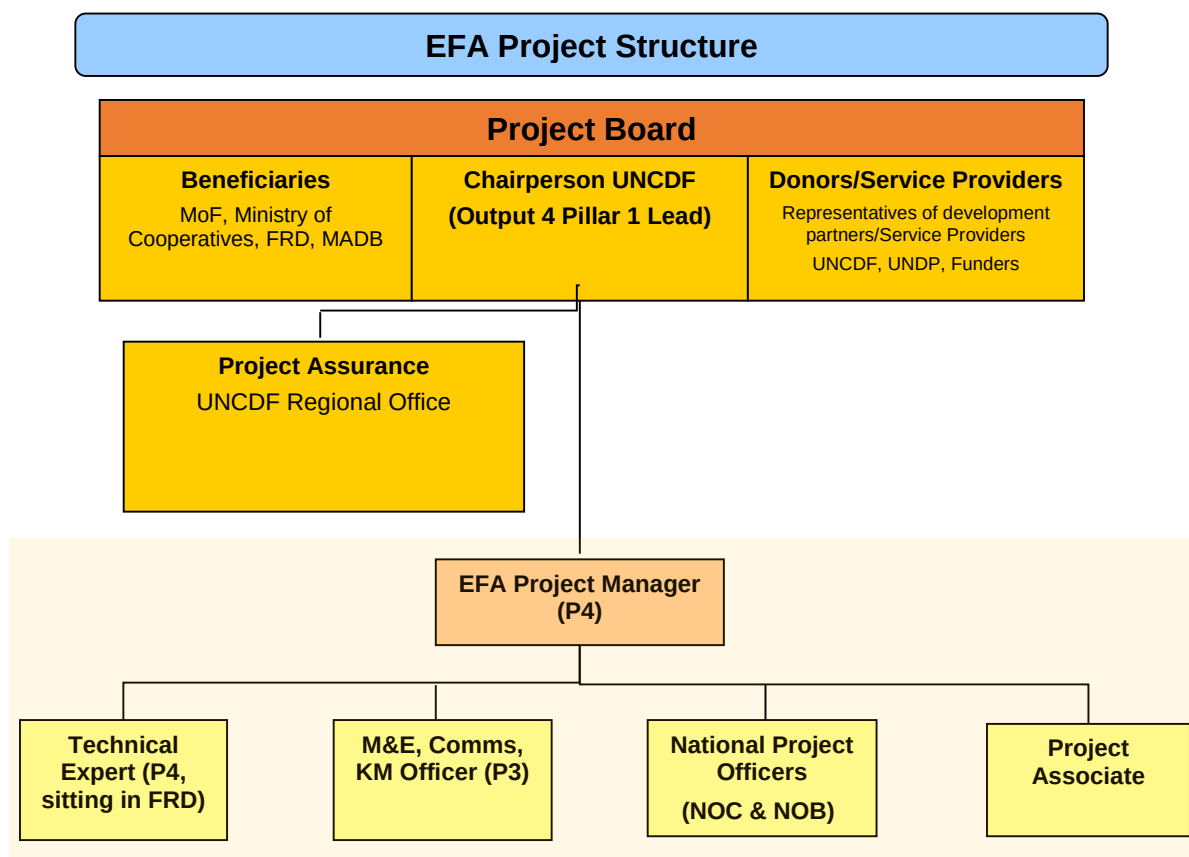
The Project Board will be responsible for making management decisions by consensus for the EFA Project, including approval of Annual Reports and Annual Work plans and revisions as well as authorize any major deviations from the agreed plans. The Project Board is also the authority that signs off on the completion of activities and ensures that required resources are made available. As needed, the project will make use experts or develop an expert board.

The responsibilities of the Project Board are divided into three specific categories:

1. Representatives from Beneficiaries: In order to ensure maximum stakeholder participation, and genuine national ownership, representatives from government ministries (i.e. MoF, Ministry of Cooperatives, FRD, MADB, etc.) will hold a seat on the board. The selected representatives will represent the interests of those who will ultimately benefit from the project activities (MSME, small-scale farmers, women-led enterprises, poor and low income). Their primary function within the Project Board will be to ensure the realization of project results from the perspective of project beneficiaries.
2. Chairperson: The Chairperson is ultimately responsible for the project supported by the other Project Board members. The Chairperson's role is to ensure that the project remains focused throughout its life cycle on achieving its objectives and delivering outputs that will contribute to higher level project outcome. The Chairperson has to ensure also that the project gives value for money, ensuring a cost-conscious approach to the project, balancing the demands of the beneficiary and supplier of services.
3. Representatives from donors/service providers: Donors and selected development partners will provide advisory support. Their primary function within the board will be to provide strategic advice on programme results and direction.

UNCDF will be responsible for day-to-day oversight of the project, ensuring that all operations are conducted in compliance with UNCDF rules, procedures and other policies. The EFA Project will draw upon UNCDF's human resources, finance and administration units for its basic services.

The overall EFA Project Structure is represented below:



Project Assurance

The overall responsibility of Project Assurance is with each Project Board member.

Project Assurance role is delegated primarily to the UNCDF Regional Office in Bangkok.

The Regional Office in Bangkok will support the Project Board in the project assurance functions by carrying out objective and independent project oversight and monitoring functions. This role ensures that appropriate project milestones are managed and completed in line with the decisions made by the board members.

Regional Office in Bangkok

The Regional Office in Bangkok is responsible for the Project assurance, approving budget revisions, payments, purchase orders, as well as ensuring regular monitoring, review and reporting to the board and other development partners. Other key functions are as follows:

- Ensure funds are made available to the Project in a timely manner;
- Ensure the Project is making progress towards intended outputs;
- Perform regular monitoring activities;
- Ensure that resources entrusted to UNCDF are utilized appropriately;
- Ensure that financial reports are submitted to UNCDF on time, and that combined delivery reports are prepared and submitted to the board;
- Ensure that risks are properly managed and regularly updated.

Project Team Roles and Responsibilities

As referenced in the organizational structure above, the EFA Project Manager will be responsible for the implementation of the activities and will count on a Project Team consisting of a Technical Expert sitting in FRD and playing a key role of supporting the government in the implementation of the Financial Inclusion Roadmap; an M&E, Communications, Knowledge Manager Officer; two National Project Officers and a Project Associate. The Project Team will draw on several expert consultants for the project's technical implementation.

These roles are highlighted below and the Project Manager position is further defined in Annexure D.

EFA Project Manager: will manage the realization of project outputs through activities and will be responsible for ensuring the achievement of the project results. The Project Manager will explore partnerships with relevant projects and initiatives and will be responsible for resource mobilization. The Project Manager will also assist the Board with the management of the Market Development Fund once it is established, and lead initiatives to strengthen UNCDF presence in the country by building strategic partnerships with stakeholders. The Project Manager will act in close consultation with the Financial Inclusion Programme Specialist who will be supervising the whole Project Team.

Technical Expert: will be sitting in FRD providing technical support to the government in the implementation of the Roadmap by developing an Action Plan, including defining and sequencing priorities, resource requirements and commitments, defining roles of different ministries, and a coordination mechanism for the collection and review of key performance indicators during implementation. The Technical Expert will be responsible for donor resource mobilization, coordinating with the government to ensure all areas of the Roadmap are funded. The Technical Expert will report to and will be supervised by the Financial Inclusion Programme Specialist. This role will initially be filled by a consultant.

M&E, Communications, Knowledge Management Officer: will be monitoring project activities to ensure the foreseen results are met as well as regularly preparing donors reporting. The officer will also ensure good performances and success stories achieved are widely disseminated among relevant stakeholders and are receiving substantive attention and visibility. The officer will also have the responsibility of sharing lessons learned with other colleagues who could benefit from this learning. The M&E, Communications, Knowledge Management Officer will report to and will be supervised by the Financial Inclusion Programme Specialist.

National Project Officers (NOC and NOB): The NOC will ensure the strategic direction of the projects and will be supporting donors' reporting. The NOC will also contribute to the management of the Fund once it is established and will strengthen UNCDF presence in the country by building strategic partnerships with stakeholders and will support resource mobilization. The NOC will report to and will be supervised by the Financial Inclusion Programme Specialist.

The NOB will support the Technical Expert (described above) in carrying out his/her duties, and will provide support to the government as part of the Secretariat functions. This position will also be critical in building capacity, supporting the Technical Expert and other EFA staff in ensuring that language, cultural and other local barriers are overcome in the linkage between UNCDF and the government.

Project Associate: will support the implementation of EFA activities through administrative support to the Project Team such as preparing budgets and revisions, Financial Reports, Requisitions, Purchase Orders or non-PO vouchers; ensuring that payments are processed on time; provide operational support for procurement of services and goods; support preparations of Investment Committee meetings or any other major events; support all logistics for the EFA project Team, etc.

Additionally, the EFA project will draw on UNCDF's human resources, finance and administration units at the regional office in Bangkok and HQ for its basic services.

IX. MONITORING, REPORTING, AND EVALUATION

MONITORING and REPORTING

The EFA project will adopt a results-based management approach, regularly tracking progress against project activities and outputs ensuring their timely realization and their contribution to the outcome and impact of the project.

The Theory of Change included in the document provides the conceptual framework for the M&E system with assessment of project performance planned to take place regularly.

UNCDF will develop an M&E plan to set out in more detail the proposed system for results measurement. UNCDF will use findings of its monitoring and reporting for project management and decision making. For example, UNCDF will adjust its annual work plans and interventions based on reviews, monitoring and reporting results.

For the monitoring activities, UNCDF will adopt a comprehensive and multi-faceted approach using both quantitative and qualitative data collection methods where possible, disaggregating information by age and gender, to regularly track progress against the expected results of the project.

Regular monitoring of the project and reporting will be conducted through various methods and tools including:

- i. Monitoring and technical backstopping provided by the Project Team;
- ii. Quarterly meetings reviewing progress on activities and outputs;
- iii. Regular interaction and coordination with the Roadmap Secretariat in FRD that will develop, within 2015, KPIs to measure progress in the Roadmap implementation.
- iv. Annual review meetings for assessing performance against expected results, deciding on financial inclusion priorities for the following year and detailing an annual work plan for project activities;
- v. Annual progress reports (narrative and financial) by the Project Team used to disseminate learning and ensure accountability to external partners;
- vi. In terms of FSPs - UNCDF's standard PBA will be used with grant recipients. After reference and data checks (including unqualified financial audit reports), the cash grants will be transferred to the selected FSPs through wire transfers to their bank accounts. Subsequent transfers will be initiated as grantees meet disbursement conditions and targets.

Partners receiving funding from the project will submit quarterly progress reports to the project on performance against standard indicators and targets as set in the performance-based agreements, as well as a brief summary of activities during the quarter. This will include performance data on financial as well as non-financial services provided. Data reported will depend on the kind of services provided by the partner. The baseline for calculating outreach of the project will be a starting point of zero (0) clients with the measurement based on partners' extension of services during the period of engagement with the project. When possible and appropriate, partners will use a standard performance reporting format, including indicators on outreach, portfolio, savings, gender and other indicators relevant to the EFA project. The project will compile the reports received into a consolidated semi-annual report for the Project Board.

Annually, FSPs will provide financial statements. UNCDF will verify and analyze the data before reporting on partner's results. As a condition of the UNCDF support, FSPs will consent to reporting to the MIX Market and forwarding their data to the Micro Banking Bulletin (MBB) for national, regional and global benchmarking. Other types of participating FSPs will be asked to collect and

share comparable indicators. In instances where indicators cannot be collected, UNCDF will undertake qualitative assessment of progress. All grantees will also provide multi-year business plans to UNCDF.

All FSPs partners will be required to endorse the Client Protection Principles of the Smart Campaign. All FSPs will report bi-annually to UNCDF on their client protection activities;

At the time of signing the agreement, all participating FSPs will agree to provide necessary data and collaboration for research activities, case studies, monitoring and evaluations that will be produced as part of the overall monitoring and sharing lessons learned agenda;

It is expected that the combination of data available from quarterly reporting, monitoring and annual reviews will contribute to learning within the project and provide a demonstration effect of access to finance as articulated through the Theory of Change.

UNCDF will include monitoring and evaluation responsibilities across the team roles as well as plan for a person to track the progress of the EFA project implementation.

Additional support will be provided from UNCDF HQ. UNCDF Evaluation office in HQ has a dual role: it manages an independent evaluation function in accordance with UN norms and standards and it also works towards building an evaluation culture within UNCDF, some of its work includes improvement of project design, strengthening of overall M&E systems, and support for evaluations.

A detailed Project Monitoring Framework (PMF) for the EFA project is included as Annexure E.

EVALUATION

UNCDF believes in continuous assessment and improvement. In order for the organization to remain sharp and relevant, evaluation has long been a priority in UNCDF, with a separate evaluation function reporting directly to the Executive Secretary in place since 1996.

Formally, UNCDF is party to UNDP's Evaluation Policy which sets out the guiding principles, norms and key concepts for evaluation in UNDP, UNCDF and UNV. The policy in turn draws upon the Norms and Standards of the United Nations Evaluation Group - a professional network of some 46 UN evaluation offices - whose objective is to strengthen the objectivity, effectiveness and visibility of the evaluation function across the UN system and to advocate the importance of evaluation for learning, decision making and accountability.

In terms of process, UNCDF Evaluation Unit manages evaluations and reports directly to the Executive Secretary so ensuring the operational independence of the function.

Typical phases for evaluation design and management in UNCDF include:

- a. Inception Phase
 - Development of the Evaluation Terms of Reference in collaboration with partners
 - Partners' consultations and briefing
 - Desk review of relevant documentation
 - Inception Report outlining research approach, timelines and deliverables
- b. In-country phase
 - In-country briefing with project stakeholders

- Fieldwork
- Debriefing initial findings in country - Aide Mémoire/Power Point presentation

c. Finalization

- Draft report and summary including stakeholder's comments
- UNCDF Debriefing
- The Final Report
- National Debriefing with a wider range of stakeholders
- Publication

In line with best practices elsewhere in the UN, the evaluation process is participatory to the greatest extent possible. The participatory process involves Practice Area colleagues, Development Partners and national counterparts who jointly participate in determining the focus of the evaluation and then – when relevant – participating as members of Advisory Groups once the evaluation has started, as well as providing feedback to and revisions of evaluations reports. The participatory approach builds ownership of evaluation findings and improves the relevance, credibility and utility of the final evaluation report for the stakeholders.

The Project will be subject to a mid-term (2017) and a final evaluation (2020) managed by UNCDF Evaluation Unit in HQ.

The mid-term evaluation will assess the project's overall performance, the outputs and outcomes produced against its initial targets, while the final evaluation will assess the impact and the changes the project has brought about and if the foreseen targets have been met.

The evaluation will be forward looking offering lessons learned and recommendations to improve project performance. The results of this evaluation will feed into strategic, thematic and outcome evaluations carried out by UNCDF.

X. LEGAL CONTEXT

UNCDF as the Implementing Partner shall comply with the policies, procedures and practices of the United Nations safety and security management system.

UNCDF will undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNCDF hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

XI. ANNEXURES

11.1 Annexure A: EFA and the Myanmar Financial Inclusion Roadmap

11.2 Annexure B: 2015 Annual Work plan

11.3 Annexure C: Risk Analysis

11.4 Annexure D: Job description for the Project Manager

11.5 Annexure E: Project Monitoring Framework (PMF)

11.6 Annexure F: Budget