

Microfinance for the Poor in Lao PDR



National Conference Report

Vientiane, Lao PDR, December 22nd & 23rd, 2005



LAO PEOPLE'S DEMOCRATIC REPUBLIC
Peace Independence Democracy Unity and Prosperity

Committee for Planning and Investment
National Economic Research Institute
Microfinance Capacity Building and Research Programme

REPORT ON THE NATIONAL CONFERENCE ON MICROFINANCE FOR THE POOR IN LAO PDR

Jointly Organised by:



**Development Research Division,
National Economic Research
Institute**



**Microfinance Unit,
Bank and Financial
Institution Supervision
Department**



Sponsored by: Concern Worldwide, Lao PDR

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1 Background and Introduction

The National Conference on Microfinance for the Poor in Lao PDR was held at the International Cooperation & Training Centre, Km 5, Road 13 South, Xaythani District, Vientiane Capital on December 22nd & December 23rd, 2005.

The National Conference was organised by the Microfinance Capacity Building & Research Project, a project within the Development Research Division of the National Economic Research Institute (NERI) and was jointly hosted by NERI and the Bank and Financial Institution Supervision Department of the Bank of Lao PDR. Funding and technical assistance for the conference was provided by Concern Worldwide, Lao PDR.

1.1 Microfinance in Lao PDR

The microfinance sector in Lao PDR is relatively underdeveloped. According to the government, about one million economically active people potentially require access to formal or semi-formal microfinance services but the number of people with access to such services remains low. Only 21% of the economically active population has access to microcredit from the formal sector, 33% are dependent on the semi formal sector and project initiatives whilst the remainder rely on the informal sector.

The microfinance sector in Lao PDR also suffers from a lack of cohesion, a centralised government system, low population density and poor infrastructure. This means that opportunities for dialogue between stakeholders in the microfinance sector in Lao PDR, (clients, practitioners, policy makers, donors & INGOs), are limited.

This Conference represents an attempt to stimulate dialogue between practitioners and give them the opportunity to interact directly with and to influence policy makers, donors and INGOs.

1.2 Objectives

The objectives of the conference were as follows:

- To give microfinance practitioners, government officials, representatives from INGOs and policymakers an opportunity to share their experiences and exchange lessons learned about Microfinance implementation, development and research for poverty reduction in Lao PDR.
- To establish common positions and to make recommendations to the government of Lao PDR on a range of issues related to microfinance. The timing of the conference is particularly important as the recommendations may be incorporated into the government of Lao PDR's sixth 5 year plan, (2006-2010).
- Finally, the National Conference on Microfinance for the Poor in Lao PDR was also an opportunity for all participants to celebrate the United Nations International Year of Microcredit.

1.3 Conference Format

The two day conference followed a presentation/plenary discussion format for the first day and for the morning of the second day. During the 5 plenary sessions, 17 speakers made presentations to the conference.

Topics covered included:

- Microfinance Regulations: Establishment, Operation and Supervision of MFIs in Lao PDR.
- The results of the Study on 'Poverty Measurement of Current Microfinance Clients' conducted by the MCBR team.
- Study results on 'Expenditure Patterns and Savings Habits of Ethnic Minorities in Remote Parts of Lao PDR' conducted by the MCBR team.
- The role of the Agricultural Promotion Bank (APB) in the Microfinance Sector in Lao PDR.
- Case studies presented by 13 microfinance programmes highlighting progress and challenges.

On day two, having discussed the issues raised by speakers during the plenary sessions, conference participants were divided into 4 groups to consider a range of topics related to the microfinance sector in Lao PDR.

Issues examined during the group work session included:

- Poverty alleviation and the government of Lao PDR's next 5 year Socio-economic Development Plan.
- The Role of the Bank of Lao PDR in Promoting the Microfinance Sector in Lao PDR.
- The Role of NERI/CPI in Promoting the Growth & Development of the Microfinance Sector in Lao PDR.
- The Role of Practitioners in Promoting the Growth and development of the Microfinance Sector in Lao PDR.
- The Role of Donors & INGOs in Promoting the Growth and development of the Microfinance Sector in Lao PDR.

1.4 Participants

The workshop was attended by 138 participants including microfinance practitioners from across the country as well as representatives from the Prime Minister's Office, the Ministry of Finance, the Bank of Lao PDR, UNDP, the US and Australian embassies and a host of national and international non-governmental and governmental organisations which share an interest in microfinance. These included the Lao Red Cross, the Danish Red Cross, the Lao Women's Union, the Lao Youth Union, the Lao Front for National Construction, Care, SNV, DRC, Netherlands Development Organization and Concern Worldwide Lao PDR. The conference was also attended by representatives of PAFO and LWU from 16 provinces and one Special Zone. For the full list of participants please refer to annex 1.



2 Opening Remarks

His Excellency Dr. Lien Thikey; Vice President of the Committee for Planning & Investment

Respect to the representatives from all organisations, institutions and local authorities. Respect to the representatives of international organisations.



Ladies and gentlemen. Today the CPI, the BoL and the MCBR, supported by Concern Worldwide Lao PDR, have come together to organise this conference at a national level which celebrates the United Nations Year of Microcredit.

On behalf of the government we would like to extend our thanks to the conference organisers and sponsors and of course you, the participants.

Ladies and gentlemen. The organisation of this workshop is very important. We are here to discuss the technical knowledge, methods and so on of microfinance in the Lao PDR. In this meeting we will discuss each topic together in detail. I request your utmost attention in working on this matter.

We should examine microfinance in the Lao PDR and look for weaknesses in order to aid the government's efforts in poverty reduction. The MDG target set by the UNDP in 2000 is to reduce world poverty by half by 2015. The Government of Lao PDR strongly agrees with the Millennium goals of the United Nations. In order to navigate the country out of Least Developed Country Status by the year 2020, the Government of Lao PDR set a target to reduce poverty by half by 2005 and to eradicate poverty by 2010. As part of its strategy to meet the Millennium Development Goals, the Government of Lao PDR has accepted microfinance as a tool for poverty reduction. However, the use of microfinance as a tool to eradicate poverty in Lao PDR is behind that of neighbouring countries.

The government of Lao PDR has set up a committee and has also involved the Bank of Lao and set up the Microfinance Capacity Building and Research project. We get support from Concern Worldwide Lao PDR which has also set up a microfinance unit in the Bank of Lao PDR. As a result of this, the Government of Lao PDR has accepted microfinance as a tool to reduce poverty. Despite this, microfinance has not been as successful as expected in Lao PDR. We have had problems with handing over projects and so on. Over the past 5 years there have been many things that we have failed to achieve, for example, the poverty reduction goals of the government have not been met.

Microfinance can be a tool to help people, but without regulations and the right practices and approaches, microfinance could end up generating debt.

Our government has known of the importance of developing the microfinance sector in the Lao PDR. As we know we are at the beginning, we need to make a plan for the future of microfinance. Loans for the poor are in great demand, but we cannot meet this demand. Microfinance will play a major role in the development of the nation and will

be useful as a tool to help the poor. From this aim of helping the poor, I believe that all the participants at this conference will try to make an effort to find a solution and turn microfinance into a tool to allow the Lao PDR to meet the millennium development goals.

I would like to take this opportunity to declare the National Workshop on Microfinance open from this moment on.

Thank you.

**Mr. Palash Bagchi, Acting Country Director,
Concern Worldwide, Lao PDR**

His Excellency, Deputy Vice President of the Committee for Planning and Investment, Dr. Lein Thekeo, Director General of the National Economic Research Institute, Ms. Sirivanh Khonthapane, Deputy Director General of the Bank and Financial Institution Supervision Department of the Bank of Lao PDR Mr. Louane Vongphranakhone .



Honourable Guests. Ladies and Gentlemen. It is an honour to have been invited to speak at the opening of this National Workshop on Microfinance for the Poor and to Celebrate UN Microcredit Year of 2005. It is wonderful to be amongst the esteemed leaders of the rural and microfinance sector in Lao PDR and to see so many learned people coming together to share their thoughts and ideas in order to devise a strategic direction to guide the rural and microfinance sector in Lao PDR.

Concern Worldwide has been engaged with NERI and the Microfinance Unit of the Bank of Lao PDR in order to build capacity and carry out research in the rural and microfinance sector to better understand the rural and microfinance needs of the poorest people in Lao PDR. The aim of this is to promote and develop the microfinance sector in Lao PDR which will ultimately contribute to the drawing up of pro-poor microfinance regulations for the sector.

Although Lao PDR has made commendable progress in terms of raising living standards of the Lao people, I am sure we would all agree that there is still much to be done. Experience from other under developed countries has shown that microfinance alone could reduce the incidence of poverty in a country by an average of 5% per year. The Government of Lao PDR has set itself ambitious targets to lift Lao PDR out of poverty. Only through coordinated, cooperative and well thought out efforts will we be successful in achieving these goals. I imagine microfinance could be a one of the tools to help us reach this goal.

Lao PDR is a sparsely populated developing nation where many people do not have access to basic services; market, transport and communication links. These conditions create a challenge for us all to find innovative ways to address how microfinance best fits into the context of poor people where formal financial services are not feasible.

Through better understanding the needs of those we seek to serve, as well as their present systems of coping, we can devise pilot projects that will test different models of financial service delivery to the poorest in remote locations.

Like the government of Lao PDR, Concern Worldwide has high expectations and goals. The needs of the poorest and most marginalised deserve no less commitment.

Ladies and Gentlemen, please allow me the opportunity to share a few words about Concern Worldwide in Lao PDR with you. Concern Worldwide has been operational in the Lao PDR since 1992. Concern programmes were initially carried out in partnership with the UNHCR and focussed on the reintegration of (mainly ethnic minority) returnees who had fled the country during the years following the revolution of 1975. At this time,

targeting was largely determined by Concern's mandate, which was to work with the returning refugees and surrounding villages. Geographically, this meant that the focus of work was in the districts along the Mekong valley adjacent to Thailand from where the refugees were returning and which were populated mainly by ethnic Lao.

Programmes have since evolved towards rural development, initially with a focus on infrastructure and service delivery, and more recently with an emphasis on empowerment for communities (targeting ethnic minorities such as the Lamet, Tai Lue and Katang), mobilisation and management of local resources by local people and capacity building for government staff at all levels. Concern has more recently also developed significant competencies in two sectors i.e., microfinance and disaster preparedness. Both of these sectoral programmes aim to have a wider impact by strengthening the capacity of the central government.

Concern's main objectives in Lao PDR are to improve access to information, resources and opportunities to enable the people of Lao to independently improve their quality of life. Concern's current programmes largely seek to address the livelihoods security needs of the poorest and most remote populations through long-term integrated rural development projects, supporting the government to develop a pro-poor micro-finance policy framework and community-based disaster risk management strategies.

In 2006 Concern Worldwide Lao will continue to develop new rural development projects; two in neighbouring areas to existing projects in southern and northern region in Lao PDR. In addition, we will also engage in the health sector which is now under preparation, we have plans to work with emerging civil society or Non-Profitable Associations and on the Early Flood Warning Project with the MRC and NDMO. Our current year's annual budget is six hundred 50 thousand euro and in 2006 our estimated budget will be one million 20 thousand euro which is about to double compared to the current year.

Ladies and gentlemen, during the next few days I would request that each of us keep in mind those people in Lao PDR who are subsistence farmers living in remote communities and who are very vulnerable. I would suggest that the ultimate accomplishment of any strategic direction will be measured in terms of how it helps us to address the needs of the poorest. Thus, the strategic direction that emerges from this conference must be relevant and appropriate to their needs if we wish to claim success.

Currently the government of Lao PDR is in the process of developing its next 5 year socio economic development plan therefore, I do believe this workshop will give a strategic direction for the government as well as the practitioners as to how they will take this forward.

With these thoughts in mind I will conclude by thanking the conference organisers for all their work in preparing for this event and I would like to wish all conference participants every success for a productive and fruitful two days. I wish you all good health and happiness.

Thank you.

**Ms. Sirivanh Khonthapane, Director
General of the National Economic
Research Institute**

Honourable guests, ladies and gentlemen. I feel very proud on behalf of NERI which has given me an opportunity to give comments in this workshop to help improve microfinance in Lao PDR. I would also like to thank Concern Worldwide for their technical and financial support. Microfinance has proven to be an effective tool in poverty reduction elsewhere. Here in Lao it has not been so successful and research suggests that microfinance in the Lao PDR must be improved.



Access needs to be increased. We have little sharing of information and so, we lack innovation and don't have policies of the quality required for the microfinance sector to succeed and to flourish. This doesn't suit the current situation. This is a good chance for the people involved to share lessons and give opinions and experience in order to improve the practice and provision of microfinance in Lao PDR. We aim to be an example to the world. We will take the opportunity to use the results of the workshop to contribute to the development of pro-poor microfinance in Lao PDR.

MCBR has been in existence for three years and has had some major achievements; we wish to continue our work on the development of the microfinance sector in Lao PDR.

We would like to engage organisations working in microfinance so that we can document and publish the lessons learned. We will carry out research so we can give advice to the government about how to use microfinance to help the poor and we will carry out evaluation studies and examine the impact of microfinance.

Over the past few years, the MCBR project has had the following successes. We successfully carried out a 'Poverty Measurement Study of Microfinance clients in Lao PDR', we conducted research into the 'Expenditure Patterns and Saving Habits of Ethnic Minority Households in Remote Parts of the Country', we regularly produce a microfinance newsletter, we built a microfinance resource centre, improved the capacity of our staff, contributed comments and advice to the government of Lao PDR, supplied funds to set up seminars with the Bank of Lao PDR many times, produced a manual on microfinance and produced a manual for the training of trainers in order to strengthen capacity at the village level.

We also plan to set up training sessions and workshops for microfinance partners at each level and to continue collecting data and statistics about microfinance in Lao. This is necessary in Laos and we need to find partners who can help us to implement our work and to reach our target. I hope that the international community will give us continued support. I would like to take this opportunity to thank everyone for coming and to wish them a happy new year for 2006.

Thank you.

Mr. Leuane VONGPHRANAKHORN,
Deputy Director General of the Bank and
Financial Institution Supervision Department,
Bank of Lao PDR



Today I am pleased on behalf of the Bank of Lao PDR to give some input to the National Conference on Microfinance.

In the past, Concern Worldwide has also assisted in the drafting of regulations for microfinance. Now we have some draft policies accepted by the government in 2004. With this opportunity, I would like to thank Concern Worldwide Lao PDR.

This meeting is for exchanging ideas and giving views and comments from people who implement microfinance services nationwide. Microfinance can help the government reduce poverty and increase the growth of the national economy if we know how to use the mechanisms of microfinance correctly.

For Lao PDR, microfinance is very important because about 80% of Lao people live in rural areas and only a small percentage of these have access to financial services.

We face many problems in the implementation of microfinance. We will hear some good lessons and ideas about the development of the microfinance sector over the next two days. On behalf of The Bank of Lao PDR I would like to report that microfinance is very important for poverty reduction and in 2004 the government of Lao PDR agreed to set up the Unit of Microfinance under the supervision of the Bank and Financial Institution Supervision Department of the Bank of Lao PDR.

The job of the department is to study the policies and regulations governing microfinance, to provide licences and registration for emerging MFIs and to assist in the transition from microfinance project to microfinance institution. We also disseminate microfinance rules and regulations and work with different levels of government and with International Non-Governmental Organisations.

I would like to thank the chairman and all the participants and I wish everyone a happy new year and a successful meeting.

Thank you.

3 Summary of Presentations

Presentation 1: Microfinance Regulations in Lao PDR

Speaker: Mr. Leuane VONGPHRANAKHORN, Deputy Director General of the Bank and Financial Institution Supervision Department, Bank of Lao PDR (BoL)

On June 22nd, 2005, the BoL issued microfinance regulation No. 10/BOL to implement the Rural and Microfinance Action Plan. The regulations are intended to provide an enabling environment to support the development of the microfinance industry and to encourage the establishment of microfinance institutions in diverse forms and types of ownership and methodologies. Mr. Leuane VONGPHRANAKHORN, who was involved in their formulation, gave a presentation on the new microfinance regulations. The speaker described the two categories of microfinance institution covered by the regulations and gave a brief outline of the regulations main provisions.

Key Points

The first category covers deposit taking institutions. These are institutions that are allowed to collect deposits from the general public including microfinance clients and members.

- They must have a licence from BoL.
- Deposit taking institutions can be: individual companies, Joint Venture companies, state enterprises or foreign companies (foreign investment).
- Deposit taking institutions must have registered capital of a least US\$100,000.
- Institutions falling under this category must have an executive board/committee.
- These institutions must follow the regulations of BoL with regard procedures for issuing loans, interest rates and so on.
- Deposit taking institutions must also undergo a yearly audit from an external body.

The second category covers non-deposit taking institutions. These institutions are allowed to collect deposits only from their members and not from the general public. The key requirements for registration of non-deposit taking institutions are as follows:

- Non deposit taking MFIs must register with the Ministry of Commerce in Vientiane Capital or with the Provincial Commerce Department in their local area within 30 days of being issued a permission letter by the Bank of Lao PDR.
- The registered institutions must have sufficient capital and reserve funds, suitable loan products, financial transparency, risk coverage, stable internal controls & regulations and provisions for the distribution of dividends.
- These institutions should also set up a committee (from the governing body) to carry out an internal audit.
- Loans outstanding must be not more than 5% of total net capital for shareholders and not more than 1% of total net capital for individuals.

Presentation 2: Poverty Assessment Study of Microfinance Clients in Lao PDR

Speaker: Palash Bagchi, Microfinance Advisor to the MCBR Project

The MCBR/NERI has conducted action research on Poverty Assessment of Microfinance Clients as advised by the Action Research Working group. Members of this working group included representatives from Agriculture Promotion Bank, Bank of Lao PDR, Prime Minister's Office, National University of Lao PDR, National Statistics Centre, 8 Microfinance Practitioner's Organisations along with others MCBR team members. The research was carried out from 2004-2005, with aiming of providing a poverty profile of microfinance clients within the study area in Lao PDR.

A number of meetings were held to discuss ways to determine the impact of microfinance on poverty reduction and measurement of poverty levels of MF clients within NERI and NSC.

A total of 400 microfinance clients and their households were the targeted as population for this study from 8 provinces of North, South and Central Lao PDR.

Microfinance expert and Assistant Country Director of Concern Worldwide Lao PDR, Palash Bagchi, presented the preliminary findings of the Poverty Assessment of Microfinance Clients carried out by MCBR.

Key Points

- The most significant finding of the study is that the majority of the microfinance clients (53%) of the organisations included in the study fall below the official poverty line.
- This finding suggests that the microfinance sector in the Lao PDR is beneficial to the economically active remote poorest.
- Most of the microfinance clients considered that due to microfinance support, their expenditure and social patterns have changed significantly.

Presentation 3: Microfinance in Lao PDR; the Next Steps

Speaker: Phanthaboun Sayaphet, Deputy General Manager of the APB and Member of MCBR Action Research Working Group

Mr. Phanthaboun Sayaphet gave a presentation on the Financial Services and Microfinance sectors in Lao PDR. He outlined the factors which constrain the development of the sector and outlined the APB's microfinance strategy.

Key Points

- In the Lao PDR there is huge demand for microfinance services. This is reflected in the fact that 80% of the population in Lao PDR lack access to financial services, in addition to new jobs being created at an estimated rate of 90,000 positions per year which also require financial services.
- Employment and opportunities for income generation are crucial for poverty reduction...
- The APB, which was established in 1993, is the state financial institution which serves the agricultural sector. Currently it has one branch in every province and 40 service units at district level.

- The APB is following a 2 Phase strategy with regard to microfinance; the first phase involves reforms, mainly financial and organisational restructuring while the second involves advanced capacity building.
- The APB has been involved in 6 microfinance initiatives which have reached out to about 7,000 people.
- The APB will embark on a series of programmes to build capacity and to create a market oriented state owned sector and a vibrant private sector.
- Major challenges to growth of the microfinance sector in Lao PDR are: lack of a legal framework (until recently), low capacity, a widely dispersed population and poor infrastructure.

Presentation 4: Microfinance Statistics of Lao PDR

Speaker: Souphith Darachanthara, Chief of the Research Development Division, National Economic Research Institute & National Project Manager of the MCBR project

Mr. Souphith Darachanthara gave a presentation on the Rural & Microfinance Statistics Report which was compiled by the Microfinance Capacity Building and Research Project (MCBR), at the end of 2004. The Rural & Microfinance Statistics Report is the most in depth analysis of the microfinance sector in Lao PDR.

Key Points

- The number of villages with access to financial services increased from 2,452 villages in 2003 to 2,918 villages in 2004.
- The value of loans disbursed increased from 56 billion kip in 2003 to 97.72 billion kip disbursed in 2004.
- The value of savings collected increased from 14 billion kip in 2003 to 112.32 billion in 2004, (100 billion kip of the savings in 2004 were raised by the APB).
- The number of villages with access to in-kind activities decreased from 1,914 villages in 2003 to 863 villages in 2004.
- In-kind loans dropped from 20 billion kip to 14.89 billion between 2003 and 2004.
- In-kind savings dropped from 9 billion kip to 2.59 billion kip in the same period.
- In most provinces, the volume of cash activities far outweighs the volume of in kind activities.

Presentation 5: The Establishment of Village Savings Funds

Speaker: Mr. Khanthon Phameoung, Director of FIAM, Action Research Partner of MCBR Project

Mr Khanthon Phameoung gave a presentation on the establishment of Village Savings Funds.

Key Points

- Those who live in areas without access to financial services often borrow money on the black market and must pay high interest rates.
- FIAM helps villages set up Village Savings Funds.
- FIAM has been promoting a manual on the how to establish Village Savings Funds since 2001.

- Currently FIAM covers 9 districts, 280 villages and holds deposits of about 22 billion kip.
- The Savings Groups need access to loan funds and this is an opportunity to request the assistance of members in securing funding.

Presentation 6: A Study of the Expenditure Patterns and Savings Attitudes of Ethnic Minority Households in Remote Parts of Lao PDR

Speaker: Mr. Thanongsai Soukkehthamthat, Project Coordinator MCBR & Development Research Division, NERI

Mr. Thanongsai Soukkehthamthat presented the findings of the MCBR's study of the Expenditure Patterns and Savings habits of ethnic minority groups in the Lao PDR, research which is intended to guide microfinance practitioners and policy makers regarding microfinance for the poor.

Key Points

- Seasonality plays a major role in determining spending and savings habits in remote areas.
- Most expenditure is on necessities such as education, healthcare and clothing.
- Outreach of financial services in rural areas is extremely low.
- The ability to save is limited for ethnic minority villagers in remote locations.
- Savings are usually kept in the form of cash, livestock, precious metals or rice (a tradable asset).
- None of the households included in the study had savings kept in a bank.
- The use of saving are mostly on payment of medical bills and purchases of rice and other food; these account for the use of over 75% of household savings.

Recommendations

- Look at relative costs/benefits of microfinance over other approaches.
- Microfinance interventions targeting the poorest households in remote ethnic minority villages should be protectional rather than promotional.
- Consider alternative interventions that directly target the root causes of poverty.

Presentation 7: Microfinance Operation in Sayabouly Province

Speaker: Mr. Khammy Phanouvong, Director of Microfinance Office, (A Government owned MFI in Lao PDR), Action Research Partner of MCBR Project

Mr. Khammy Phanouvong presented a microfinance operation in Sayabouly Province. During the presentation, the structure of loan groups, loan sizes, interest rates and so on were discussed.

Key Points

- Current outreach is 3 districts, 41 villages and 132 groups with 837 clients (770 of which are female).
- The MFI encourages its clients to save and lend money for agricultural production, handicraft production, services, small businesses and other income generating activities.

- Loans are provided to groups with 5-10 members.
- The cumulative loan disbursement is 1,960,000,000 kip and total cumulative savings are 160 million kip.
- To November 2005, loans outstanding equalled 69 million kip.

Strengths

The poor learn and know how to save, they have capital to invest in their activities and they use the loans properly for income generation.

Weaknesses

Some clients have no capability to manage their loans and they do not use the loans properly.

Presentation 8: Remote Poverty Reduction Project of the Microfinance Unit of Lao Women's Union, Sayabouly Province

Speakers: Mrs. Thongsay Phouphommichit, Project Manager & Mrs Thavy Phanlack, President of LWU of Sayabouly, Action Research Partner of MCBR Project

The speakers gave a presentation outlining the 3 microfinance models the LWU implements in Sayabouly Province; (i) revolving loans fund (ii) credit and saving promotion fund, and (iii) Village Savings & Development Fund.

Key Points

- The first type of service is the revolving loan fund which is in operation in 21 villages in 2 poor districts. Loans are made to the poorest for 1 year with an interest rate of 1% per month. The total cash value of the fund is 73 million kip. This project is focused on the remote poorest people; therefore, it also established rice banks and animal banks. Currently, they hold 3000 kgs of rice and the livestock fund consists of 15 buffaloes in 2 villages.
- The second type of product provided by the project is the credit and savings promotion fund which operates in 29 villages in 2 poorest districts. The total number of members is, 831 (in 115 groups), forced saving is 10% of the loan amount, the interest rate is 3% per month (2% in remote areas) and loans are for a 6 month period. The total value of the available fund is 593 million kip.
- The third is the Village Savings & Development Fund. Each month members contribute a minimum of 1,000 kip as savings. Members' cumulative savings are used for providing loans to members. The interest rate for loans for agricultural production is 2-3% per month (6-10 months loan period). The interest rate for loans for trade is 4-5% per month (6 month loan period) and the interest rate for loans for illness or emergency use is 1-2% per month (3 month repayment period).

Strengths

Loans are used for income generating activities like weaving and livestock raising. Women have more capacity to manage funds.

Weaknesses

Some did not understand the objectives of the activities. They thought that the fund was supported by an international agency so they think it is grant and do not need to repay their loans.

Lessons Learned

The most important lesson learned is that financial products must meet the needs of the clients if they are to be successful.

Presentation 9: The Extension of Village Fund Systems in Phongsaly Province: Reach the Remote and Poorest Community

Speaker: Mr. Khamphanh Sanaphanh, Co-Expert of Credit, PDDP, Action Research Partner of MCBR Project

The speaker described the structure and process of extension of Village Fund Systems in Phongsaly Province.

Key points

- The project was established in 1997 with pilot schemes in 5 villages, it was supported by the French and Lao governments.
- The PDDP provides microcredit services to rural villagers in Phongsaly district who are unable to access financial services provided by banks.
- Regulations: groups must consist of 5-7 people. A guarantee in cash of 10% of the loan is required. Interest is paid every month while repayment of the principle is at the end of the loan term. The interest rate is 18% per year plus inflation. Three per cent of the interest is used to cover administrative costs and 15% is used to cover technical support.
- Outreach: 46 villages are covered. The total number of members with loans (active clients) is 1,861. Loan disbursement is 4.7 billion kip with an average loan amount of 874,000 kip per member.
- Social impacts: Clients in remote areas have funds to invest in income generating activities, villagers have increased capacity to manage funds, clients benefit from increased interaction with the outside world and from increased group solidarity.
- Lessons learned: In the early stages of membership, clients require support and capacity building in financial management. The project switched to an institution and ensures joint management by clients and the governance unit.

Presentation 10: Credit Union in Luang Prabang Province

Speaker: Mr. Songkham Manivong, President Credit Union in Luang Prabang Province.

Mr Songkham Manivong gave a presentation on the Luang Prabang Credit Union

Key Points

- The main objective of the Luang Prabang Credit & Savings Union is to improve the lives of its members through the provision of savings services and loans at competitive interest rates.

- There are 13 executive board members and 3 full time staff, (a manager, an accountant and a financial officer) in addition, the Credit Union is closely monitored by the government and the Bank of Lao PDR Steering Committee.
- The Credit Union is closely monitored by the provincial authorities while technical support is provided by the ADB.
- Since establishment, the Credit Union has made profits of over 33 million Kip.
- Loans to the value of 676 million kip have been disbursed.
- In 2004, dividends of around 24% were issued.
- Loans outstanding total 232 million kip and the total number of members is 471.

Weaknesses

- About 14% of loan repayments are delayed, higher than the standard 5% level.
- The high percentage of delayed loans most likely results from financial product design.

Other Functions

The Credit Union trains member in income generating activities and also acts as an advisor on issues such as law, exports, markets and so on.

Presentation 11: Village Development Fund, Credit and Savings Fund Established and Managed by the Community, GTZ, Bokeo Province

Speaker: Mr. Chume Saysongkham, Deputy Supervision President of Village Development Fund, Bokeo Province and Director of Bokeo

Mr. Saysongkham spoke about the Village Development Fund in Bokeo Province.



Key Points

- Fund established with the assistance of GTZ & IFAD in 1998.
- Operates in 5 districts and 1 focal site.

Concept

- Promotion of sustainable credit facilities managed by the villagers.
- Equitable access to village loan funds for women and men.
- Poor families given priority.

Process

- Prior to the establishment a situational analysis is carried out and regulations are designed according to the particular circumstances in each village. Pilot villages are selected to set up Village Credit Funds or Village Revolving Fund.
- Gather feedback and prepare guidelines for implementation and regulations with government partners.
- Staff training and study tour.
- Implement and gather feedback on an on-going basis.
- Loans are used for any income generating activity.

- Emergency loans are also issued.

Loan Criteria

- One loan per family at any one time. A second loan may be disbursed only after all members have received loans. Members select borrowers on the basis of proposals submitted to a committee at a general meeting.
- Poor households.
- Women-headed households and women in general.
- Members of ethnic minorities.
- Loans are provided on a group basis.

Loan Duration

- 3 year loans are available for livestock raising.
- 1 year loans available for other agricultural activities.

Outreach

- Membership of 6000 families.
- Total capital of about 2 billion kip.
- Outstanding loans equal 1,831,712,555 Kip.
- Member savings (August 05) are 343,828,960 Kip.

Lessons Learned

Experience of this programme in Bokeo province points to difficulties in helping the poorest families as poverty is often linked to drug use, illness, disability, illiteracy and poor knowledge of the Lao language. The solution is to employ the poorest in agricultural production. On the other hand, day by day the programme may become large which without any policy may result in a high risk.

Presentation 12: Strategy and Implementation of the Rural Microfinance System, Oudomxay Province

Speaker: Mr. Khanthaly Senvilayvong, Director of RFS, (Rural Financial Service)

The speaker described the implementation of a microfinance project in Oudomxay Province.

Key Points

- The project is co-financed by IFAD, Luxembourg and the World Food Program; the total budget being US\$ 21 million. It has 5 major components:
- Target area: All 7 districts of Oudomxay Province.
- Objective of providing access to savings and credits services for rural populations.

Model

- Model was designed in light of the context of remote villages with difficult access and suitable for target groups with a low education levels.
- Includes significant awareness raising and capacity building elements.
- Empowerment and own responsibility for target population.
- Proven approach in Lao PDR.

Outreach

As of September 2005, the microfinance programme operated in 14 villages with a total of 1297 clients (90% female). Savings totalled 95 million kip, and the project contributed funds of 628 million kip resulting in a total capital of 724 million kip. Total loan disbursement was 406 million kip (loan size 50,000 - 500,000 kip). Loans are issued for cash cropping, animal rearing, trade and services. There are 3 loan products; basic, intermediate and advanced loans.

Sustainability Issues

Long-Term Technical Support Options:

- Specialised team of Government staff.
- State-owned enterprise providing support upon payment.
- Private Sector Company or transform to Microfinance Institution, providing support upon payment.

Long-Term Institutionalisation Options

- Creation of a second-tier institution: this institution will have individual representatives. Functions include technical support, experience exchange, monitoring, representation & advocacy.
- Consolidation with other project schemes, numerous projects follow similar models. The ADB is considering this as part of the Rural & Micro Finance promotion strategy.

Weaknesses

- Inadequate training to Management Committees.
- Premature delegation of responsibility.
- Low interest rates and low repayment of loans.
- Community development staff given Micro-finance tasks without sufficient understanding.
- Conflicting objectives: poverty reduction vs. sustainable micro-finance.
- Lack of a post-project strategy for institutionalisation and technical support.

Solutions

- Staff dedicated specifically to Micro-finance and trained intensively.
- Management Committee members trained to have a good understanding of issues affecting sustainability.
- Gradual and guided delegation of responsibilities to Management Committee up to full autonomy.
- Loan terms and conditions matched to the credit activity.
- Loan interest rate covering the rate of inflation, loan loss, management costs and running expenses.
- Transparent accounting system allowing members and outsiders to determine the financial situation of the scheme.
- Adequate arrangements to ensure post-project technical support (not all will become sustainable within the project period).

Presentation 13: Promotion Fund for Small Enterprises

Speaker: Dr. Sisalieoy Savengseuksa, President of the Promotion Fund for Small Enterprises and Action Research Partner of MCBR Project

Dr. Savengseuksa spoke about a small business promotion fund which is based on cooperative methods and is funded by NGOs from France, Belgium, Holland and Germany.

Key Points

- Aims to boost household economies.
- As of December 2004, the Promotion Fund for Small Enterprises had 1,556 members with a loan disbursement of 3.17 billion kip.
- The Promotion Fund for Small Enterprises focuses on capacity building for Small to Medium Enterprises.
- The Small Business Fund is also working on assisting the transition of businesses from the informal sector to the formal sector.

Learning

- Microfinance alone is not an effective weapon to tackle poverty.
- For microfinance to work, people must be educated or skilled, they must have access to health care and they must have access to sufficient farmland.
- Poverty reduction requires a mixed approach of which microfinance is one important element.
- Training of microfinance clients is essential if they are to use their loans effectively.
- The Promotion Fund for Small Enterprises specialises in producing goods for sale from products purchased locally. Products produced so far include fruit juices and bamboo products.

Presentation 14: Credit Union (Song Pieur)

Speaker: Mr. Somchith Bounleum, Head of Cooperative of Nasaythong District, Vientiane province, Action Research Partner of MCBR

Mr. Bounleum gave a presentation regarding the establishment and management of the Cooperative of Nasaythong District, Vientiane Municipality.

Key Points

- The Credit Union received a temporary licence from the BoL in 2002 and registered with The Ministry of Commerce.
- The Credit Union provides microfinance services to people in Nasaithong District, Vientiane Capital and a small part of Vientiane Province.
- Membership is voluntary and governance is democratically elected.
- Credit Unions are more suitable than banks for the rural poor.
- 90% of members are female.
- Loans are disbursed for a range of purposes ranging from trade and services to agriculture, education and home repairs.
- Assets of the credit union total 1.2 Billion kip, up from 23 million kip 5 years ago.

- Coverage has expanded rapidly from 7 villages in 2001 to 76 villages in 2004.
- The auditing system is monitored and regulated by BoL.

Challenges

- Delayed loan repayments total less than 5%.
- Negative experiences with credit unions in the past and a lack of skilled staff were initially the major obstacles to growth and success of the credit union.

Presentation 15: Microfinance Progress and the Operation of Lao Women's Union Office in Champassak Province

Speaker: Mrs. Phouthone Souphanthong, LWU Committee:

The speaker gave a presentation about the microfinance activities of the Lao Women's Union Office in Champassak Province.

Key Points

- The LWU, with the funding of 160 million kip from ADRA, is involved in providing loans to women in poor districts since 2001.
- No collateral is required.
- Women borrow money for income generating activities and trading.
- Start up problems included difficulties mobilising savings and the reluctance of regular savers to take out loans.
- The interest rate is 20% per annum, much lower than the black market interest rate.
- The repayment rate is 100%, i.e. no non performing loans.
- There are more female than male members.
- Loans for family deaths are interest free.

Lessons Learned

Impacts of microfinance activities in Champassak include increased employment, reduced black market borrowing and increased household financial management capacity

Presentation 16: Village Development Fund for the 47 poorest districts

Mr. Oula Somchanmavong, Deputy Chief of Economic Planning Division, Planning Department, CPI

Mr. Somchanmavong gave a presentation on the Village Development Funds set up with funding from the government's own budget to reduce poverty in the 47 poorest districts of the Lao PDR.



Key Points

- The VDF was set up by the CPI and the Ministry of Finance.
- The objectives of the fund are to reduce poverty and to boost the economy.
- Government contribution was 25 million kip in 2003-2004 to create VDFs, 10 billion kip was issued in 2004-2005 and 10 billion kip more in 2005-2006.

- Villages can receive funds of between 100 – 200 million kip.
- Initially government structures were used to administer the fund, the Committee for Planning and Investment was in charge at the central level, the provincial level provided technical management.
- There was also involvement at the District and Village levels.
- The design has to be from village to district to province and the budget requisition will then be sent to the Ministry of Finance.
- Loans are used for agricultural activities and handicraft production.
- Loans are of 6 months with 1 year duration and 6% interest per year. Loan sizes should not be over 2 million kip.
- Loans of 1 – 2 year duration have 8% interest per year.
- Loans for healthcare are interest free.
- Coverage: 8% of villages in the poorest districts.
- The project goals have not been achieved.
- In the future control will be transferred to the villages and districts.
- Funds will also be provided for training, supervision and follow up.

4 Abstract from the Presentations and Plenary Discussions

The presentations were grouped into five sessions, each session consisting of three presentations.

At the end of each session a period of fifteen minutes to half an hour was set aside for questions and answers. The plenary discussions sessions allowed participants to seek clarification, raise important questions and to add their own comments.

The plenary discussions, which were marked by lively and animated debate, were chaired by Mr Souphith Darachanthara, Chief of the Research Development Division of NERI, Dr. Sisalieoy Savnegseuksa, President of the Promotion Fund for Small Enterprises, Mr Khamsen Soysithattha, Programme Manager of SCA, Mr Phanthaboune Sayaphet, Deputy President of the APB and Mr Khamphanh Sanaphanh, Co-expert of Credit, PDDP respectively.

At the end of each presentation session, the chairperson of each session summarised the main issues and provided concluding comments. The following are the main conclusions and comments made by the session chairs:

Policy Direction and Governance

- Government of Lao PDR already accepted microfinance as one of the tools to alleviate poverty and made a firm commitment to create an enabling environment for the sector.
- The central bank has already issued a directive order on Microfinance Regulations which allows the establishment of MFIs with diverse ownership and methodologies.

Comments

- Policy and regulation is in place, nonetheless a massive education and awareness campaign for all stakeholders is required to disseminate regulations.
- The capacity of the Microfinance Unit under BoL needs further enhancement so that they can closely monitor the operations of microfinance institutions.
- Policy and regulation needs proper implementation and enforcement and it requires joint assistance from all stakeholders.
- Many good experiences are still projects by nature and need transforming into institutions under current regulations.

Outreach

- The Lao PDR has made commendable progress in microfinance within short period of time.
- A number of donors, INGOs and government agencies are implementing microfinance programmes in Lao PDR and extending financial services to the poor.
- In the Lao PDR there is huge demand for microfinance services. This is reflected in the fact that 80% of the population in Lao PDR lack access to financial services, in addition to new jobs being created at an estimated rate of 90,000 positions per year that may also require financial services.

- Employment and opportunities for income generation are crucial for poverty reduction.

Comments

- More support is required from government, donors and foreign investors in microfinance to increase outreach.
- Government should encourage private sector investment in microfinance.
- Microfinance practitioners need more efficiency to cover a larger target population.

Funding

- Capital is a crucial issue to increase the outreach of microfinance.
- Access to capital is essential.

Comments

- Government should allocate revenue budget and provide soft loans to professional microfinance institutions.
- Government should encourage donors and INGOs to increase their portfolio in microfinance.
- Encourage commercial banks to invest in microfinance.
- APB should extend its services to the microfinance sector.
- Microfinance projects should transform into microfinance institutions according to regulations which will eventually result in attracting more funds from donors and private investors.

Capacity Building

- Capacity building both by the Government of Lao PDR and INGOs is key.
- Effective marketing of financial services is essential.
- Product design should be flexible and fit local needs.
- All financial services should be thoroughly evaluated and should be as simple and user friendly as possible.
- Borrowers should be properly vetted before being given access to credit.
- Microfinance clients should meet as regularly as possible.

Comments

- Capacity building is critical to growth and promotion of microfinance; it requires long term commitment from donors.
- A 'Microfinance Association' is essential to share information and learning among practitioners and policymakers.
- Effective capacity building support increases effectiveness and efficiency of microfinance practitioners to deliver/offer needs based services.
- Proper monitoring and supervision support is important for transparent and accountable services.
- Expansion of microfinance client capacity essential to expand businesses and create demands for loans.

Microfinance and the Poorest

- It is difficult to reach the poorest, most isolated people with microfinance services.
- Microfinance works well with economically active poor people.
- Lack of education and business knowledge impediment the growth of microfinance.
- Often poorest people require more than financial services e.g. health, education, food and other social services.

Comments

- Microfinance alone cannot eliminate poverty; access to healthcare, education and land are critical issues.
- Targeting the poorest can be difficult as the poor often suffer from health problems, disabilities or are illiterate.

5 Group Work Exercise

Following the summary and comments from the plenary sessions Chairs on day two, participants were divided into four small discussion groups. One group was made up of representatives of the INGO/Donor Community, the other three groups were made up of practitioners, policy makers and provincial representatives. The main aim was to consider how to ensure growth and to promote the microfinance sector in Lao PDR.

The groups were requested to consider a range of issues relating to the microfinance sector in Lao PDR and to present their analyses, assessments and recommendations. All of the groups were asked to discuss Poverty Alleviation & the Government of Lao PDR's Socio-Economic Development Plan for 2006 – 2010 while the following topics were divided among the groups for consideration:

1. The Role of the Bank of Lao PDR
2. The Role of NERI/CPI
3. The Role of Practitioners
4. The Role of Donors & INGOs

Ninety minutes were allocated for group work. Participants within each group selected a facilitator, a *rappporteur* and a chairperson. In addition, a co-facilitator and moderator were assigned to each group on behalf of the conference organisers.

Following the group exercise, ten minutes were allowed for each group to present their findings and recommendations and a further twenty minutes were allowed for questions, comments and clarification on each topic.

The findings and recommendations made by the participants on each issue are covered in Section 6 of this report.

6 Key Findings from the Group Exercise

Poverty Alleviation & the 5 Year Socio-Economic Development Plan (2006-2010)

- The government should incorporate the microfinance into the 5 year plan but it should be treated as part of the country's financial services sector.
- The government should outline clear steps describing how microfinance will be incorporated into the banking system within the next ten years.
- The government must formulate a clear strategy for the development of the microfinance sector in the Lao PDR.
- Pro-poor microfinance should have priority.
- The government should set aside 1% of the total budget for support and promotion of the microfinance sector.
- The government should allow foreign investment in the microfinance sector under the rules and regulations put in place by the government of Lao PDR. As domestic capital is limited, donors and International Non-governmental Organisations should be approached to attract overseas funding.
- Allowing foreign investment in microfinance also fits with the government's policy of encouraging foreign investment in the country.

Group 1: The Role of the Bank of Lao PDR (BoL)

- The Bank of Lao PDR must pursue policies that promote the extension of outreach of financial services. Commercial banks must be encouraged to open more branches around the country.
- Because microfinance can stimulate the economy at the grassroots level, the bank should provide advice and guidance to practitioners on the establishment of microfinance institutions.
- The Bank of Laos is currently working on putting in place regulations and guidelines for the microfinance sector. This process must be expedited and the regulations should be disseminated as quickly as possible.

Group 2: The Role of NERI/CPI

- NERI/CPI should continue to raise awareness about microfinance best practices, help promote awareness and understanding of the new microfinance regulations and produce training materials suitable for microfinance in the context of Lao PDR.
- NERI/CPI should establish a dedicated microfinance association similar to those in Cambodia and Vietnam.
- NERI/CPI needs to create a network of staff at the central level and increase microfinance capacity building activities.
- NERI/CPI should focus on technical training in areas such as Management of Microfinance Institutions, accounting, interest rate calculation and so on.

Group 3: The Role of Practitioners

- Practitioners should ensure that they have sufficient capital. This may come from the government or from overseas.
- Human resources must be made a priority by practitioners as this is an area in which the Microfinance Sector in Lao PDR is currently lacking.
- Microfinance operations should ensure they register legally.

- Management mechanisms should be clear and systematic.
- Participation in and ownership of the institutions by clients should be encouraged.

Group 4: The Role of Donors & INGOs

- International NGOs and donors should establish a forum or network on microfinance; Concern Worldwide Lao PDR should be the leader of this forum.
- The INGO and donor community should also support the development of private enterprise through the provision of microfinance services.

7 Key Recommendations Made by Participants

Followed by group findings in the plenary session, participants were asked to come up with specific recommendations for each stakeholder to encourage promotion and growth of the microfinance sector in Lao PDR. The participants also unanimously agreed that the conference organiser should consider a follow up action plan to implement the recommendations. This echoed the idea that a follow up conference to disseminate this report to all stakeholders should also be organised.

Specific recommendations are:

In Terms of Government and Policy Makers

- The government should give priority to pro-poor microfinance.
- The government should set aside 1% of the total budget for the support and promotion of the microfinance sector,
- The government should allow foreign investment in the microfinance sector under the rules and regulations put in place by the government of Lao PDR. As domestic capital is limited, donors and International NGOs should be approached.
- Allowing foreign investment in microfinance also fits with the government's policy of encouraging foreign investment in the country. As domestic capital is limited, foreign investment in the microfinance sector in Lao PDR must be allowed if the sector is to reach its full potential.

In Terms of Practitioners:

- Microfinance practitioners must register their operations legally and must comply with the microfinance regulations issued by the government of Lao PDR.
- Practitioners must seek funding from diverse sources including the government of Lao PDR, INGOs and national and non-national private enterprises.

In Terms of Donors & INGOs:

- International donors and NGOs should establish a forum or network on microfinance; Concern Worldwide, Lao PDR should be the leader of this forum.
- INGOs should continue to work on microfinance capacity building and research in Lao PDR.
- INGOs should also support the development of private enterprise through the provision of microfinance services.

8 Closing Remarks

Palash Bagchi, Acting Country Director, Concern Worldwide, Lao PDR

Good afternoon. It is an honour to be asked to provide closing remarks at this National Conference on Microfinance for the Poor in Lao PDR. First of all, I would like to congratulate all of you for helping to make this conference a success. Please give yourselves a round of applause.

I recall that 3 years ago when we talked about microfinance, we found that very few people were interested. Now it seems we have a big audience; everyone wants to talk about it. I think it is a good ending to the year for Lao PDR; we have celebrated the United Nations International Year of Microfinance.

During these 16 presentations it was revealed that more than 100,000 poor people already access institutional microfinance services in Lao PDR. This has been made possible through your huge efforts. Without your hard work it would not have been possible. I would ask you to keep this spirit for next year. If you keep this commitment until next year, you will come up with 200,000 active clients. If we do, I think we can make a difference for the poor.

I would like to take a couple of minutes to say a few words. I tried to listen to all of the presentations, questions, comments and clarifications raised by the participants. I think the questions were very realistic and pragmatic. If I were to categorise the main issues and topics raised, they would fall under the following headings:

Regulation

I feel that most of us still do not clearly understand the microfinance regulations. Even I don't clearly understand them. The regulations were enacted six months ago. Since then, it was discussed in the conference that there is a memo from the Prime Minister of Lao PDR stating that the government is going to roll back the clauses in the new microfinance regulations regarding foreign investment. I would like to request all relevant agencies to make further consideration of this. Experiences from other developing countries show that without foreign investment or donor assistance, the microfinance sector will be stifled, particular in this early stage.

I would suggest that some agency take the opportunity to disseminate the microfinance regulations as it is important that everyone understands the microfinance regulations and that they are implemented correctly.

Funding / Capital Sources

Many people have brought up the issue of funding. In my experience, if you want to do something good you'll get the money. In microfinance, the first funding source is your members' savings. But it is too small, so you need external assistance. Donors are the second source. Donors can come up with a grant or investment. To attract donor money, you have to prove that you are competent.

I also think we should look at the idea of using commercial banks to provide microfinance services. In Bangladesh this is happening already. A special retail on-lending institution was established by the government called PKSF (Palli Karma Sahayak Foundation or Rural Employment Generating Foundation) and is implementing microfinance through MFI partners. The PKSF is a totally independent and autonomous body. Followed by its immense success, ADB and the World Bank

successfully replicated this model in many other countries. The Government of Lao PDR could explore this idea with ADB and the World Bank and find out the possibility of replicating this in Lao PDR. From a business point of view, microfinance is a good investment choice because loan recovery rates are very high (average 98%).

In terms of funding, another option would be to encourage domestic or foreign investors. I am certain many other investors are ready to invest their money in this sector. In conclusion, I would like to say, funding should not be a problem but needs commitment and determination.

Capacity Building

Many people have come up with remarks about capacity building. True, we are managing people, providing facilities and so on, and asking people to do tasks properly. But, we are not telling them how to better perform. I believe there is a huge investment required to build the capacity. For this, there is a huge need for donor's assistance and I would extend my request for donors to consider this. On the other hand, in the long run, to sustain capable human resources, what about suggesting that the National University runs a course on microfinance?

The most important question is who will take the lead in capacity building? I know that NERI/CPI has a link from the centre to the grassroots, as does the Lao Women's Union. They could take the lead. However, it would be more practical if the government encouraged the private sector and donors to become more involved in this area.

Outreach:

The most important thing is the fact that only a few people access microfinance in Lao PDR. We need to increase our outreach. In many cases, traders or business people cannot expand their businesses. Access to microfinance can go a long way to addressing this problem. There could be opportunities for all of you to think about establishing a microfinance association; the regulations allow for it.

Going Forward

The next steps are going to be critical. We are interested to know what actions the government is going to take in light of the recommendations of the participants here at the National Conference on Microfinance for the Poor in Lao PDR.

Concern Worldwide is happy to join hands with the government in the implementation of the conference recommendations.

To sum up, I would like to take this opportunity to thank the organisers of the conference, particularly the MCBR team and the Microfinance Unit of the Bank of Lao PDR, for their hard work in making this conference a success.

I wish everybody a safe journey home and good health and happiness in the New Year.

**Mr. Bounthavy Sisouphanthong,
General Director Cabinet,
Committee for Planning & Investment**

During the past two days we have heard about microfinance implementation in various forms and in a number of provinces around the country. We have seen examples of good and bad practices and we also had time for discussion about microfinance implementation to support growth and development of the sector in Lao PDR.



This National Conference on Microfinance for the Poor in Lao PDR has provided an opportunity for everyone concerned to consider topics related to the operation of microfinance institutions and to explore strategies to promote the growth and development of the microfinance sector in-line with the government's plans to eradicate extreme poverty in Lao PDR by the year 2010.

Ladies and gentlemen, I hope that all stakeholders in the Lao microfinance sector: practitioners, policy makers, researchers and donors, will take on board the lessons we have learned in the past two days and follow the new microfinance regulations to ensure growth and sustainability of the microfinance sector in Lao PDR.

I would like to quote a reference. "In Bangladesh 5% of the Grameen Bank's clients graduate from extreme poverty every year and, significantly, their graduation from extreme poverty has been sustained".

Ladies and gentlemen, on behalf of the Committee for Planning and Investment and the Bank of Lao PDR, I wish to congratulate and to thank all the participants in this national workshop.

As the microfinance sector in Lao PDR is still in the early stages of development this National Conference on Microfinance for the Poor in Lao PDR is of particular importance. This event formally marks the beginning of the drive to reduce poverty and foster growth and development through the provision of regulated rural and microfinance services.

Ladies and gentlemen, I would also like to take this opportunity to thank Concern Worldwide, Lao PDR of their contribution to development in the Lao PDR. Concern Worldwide has long been a valued partner of the government of Lao PDR having first come to assist with the resettlement of returned refugees in 1992.

Right now, Concern is helping the Lao PDR through the implementation of a range of projects including the Community Livelihoods Development Project in Hauyxi, the Community development project in Paoudom district, Bokeo province, the Thapangthong Rural Development Project in Thapangthong district, Savannakhet province, the Health Research Project with the Ministry of Health; the Disaster Preparedness Project in Savannakhet and Khammoune provinces and the Microfinance Capacity Building and Research project (MCBR) in the National Economic Research Institute. We would like to thank Concern Worldwide for providing the financial and technical support to make this meeting successful.

Finally, I would like to thank the organisers of the conference, especially the National Economic Research Institute and the Bank and Financial Institutions Supervision Department of the Bank of Lao PDR.

Annexes

Annex 1. Conference Schedule

Agenda for the National Conference on Microfinance for the Poor in Lao PDR		
22-23 December 2005		
Time	Day 1: 22/12/2005	Responsible Person
8:00 – 8:30	Registration	MCBR
8:30 – 8:45	Opening Speech by: <i>Dr. Lien Thikeyo, Vice President of CPI</i>	Opening Remarks Committee
8:45 – 9:15	<i>Mr. Palash Bagchi</i> , Acting Country Director of Concern Worldwide <i>Ms. Sirivanh KHONTHAPANE</i> , General Director of NERI <i>Mr. Leuane VONGPHRANAKHORN</i> , Deputy Director of Bank and Financial Institution Supervision Department (BFISD)	
Plenary Discussions		
9:15 – 9:50	<i>Session 1</i>	Chair: <i>Mr. Souphith DARACHANTHARA</i> , Chief Division of Research Development, NERI
	1. Regulation on the Establishment, Operation and Supervision of MFIs in Lao PDR.	<i>Mr. Leuane VONGPHRANAKHORN</i> , General Deputy Director of Bank and Financial Institution Supervision Department
	2. Poverty Measurement of Microfinance Clients	<i>Mr. Palash BAGCHI</i> , Acting Country Director of Concern Worldwide
	3. Agriculture Promotion Bank	<i>Mr. Phanthaboune SAYAPHET</i> , Deputy President of the APB
9:50 – 10:10	Q & A	
10:10 – 10:30	Tea Break	
10:30 – 11:30	<i>Session 2</i>	Chair: <i>Mr. Sisaleoy SAVNEGSEUKSA</i> President of the Promotion Fund for Small Enterprises
	1. Rural and Microfinance Statistics in Lao PDR	<i>Mr. Souphith DARACHANTHARA</i> , Chief Division of Research Development, NERI
	2. Report on Establishment of Village Saving Group	<i>Mr. Khamthou PHAMEOUNG</i> , Director of FIAM
	3. A Study of the expenditure patterns & Savings Habits of Ethnic Minority Groups, in Lao PDR	<i>Mr. Thanongsai SOUKKHAMTHAT</i> , Research Development Division
11:30 – 12:00	Q & A	
12:15 – 13:30	Lunch Break	
13:30 – 14:30	<i>Session 3</i>	Chair: <i>Mr. Khamseen SOYSITHATTHA</i> , Programme Manager of SCA
	1. The Progress of Microfinance Operation in Sayabouly Province	<i>Mr. Khammy PHANOUVONG</i> , Director of Microfinance Office

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	2. Poverty Reduction Project, Microfinance Unit, Lao Women Union of Sayabouly Province	<i>Mrs. Thongsay PHOUPHOMMICHIT</i> , Project Manager. <i>Mrs. Thavy PHANLACK</i> , President of LWU of Sayabouly
	3. Microfinance System on Responsibility Distribution to Local in Phongsaly District/PDDP	<i>Mr. Khamphanh SANAPHANH</i> , Co-Expert of Credit, PDDP
14:30 – 14:45	Q & A	
14:45 – 15:00	Tea Break	
15:00 – 16:00	<i>Session 4</i>	Chair: <i>Mr. Phanthaboune SAYAPHET</i> , Deputy President of the APB
	1. Credit Union in Luang Prabang Province	<i>Mr. Songkham MANIVONG</i> , President Credit Union in Luang Prabang Province
	2. Village Development Fund, Credit and Saving which Establishing and Management By Community, GTZ, Bokeo Province	<i>Mr. Chume SAYSONGKHAM</i> , Deputy Supervision President of Village Development Fund, Bokeo Province
	3. Strategy and Implementation of the Rural Microfinance System, Oudomxay Province.	<i>Mr. Khanthaly SENVILAYVONG</i> , Director of RFS
16:00 – 16:30	Q & A	
16:30	Close	

Agenda for the National Conference on Microfinance for the Poor in Lao PDR		
22-23 December, 2005		
Time	Day 2: 23/12/2005	Responsible Person
8:00 – 8:30	Registration	MCBR
Plenary Discussions		
8:30 – 9:30	Session 5	Chair: Mr. Khamphanh SANAPHANH, Co-Expert of Credit, PDDP
	1. Promotion Fund for Small Enterprises	Mr. Sisaleoy SAVNEGSEUKSA, President of the Promotion Fund for Small Enterprises
	2. Credit Union (Song Pieur)	Mr. Somchith BOUNLEUM, Head of Cooperative of Nasaythong District.
	3. Microfinance Progress and the Operation of Lao Women Union Office in Champassak Province	Mrs. Phouthone SOUPHANTHONG, LWU Committee
	4. Village Development Fund in 47 District	Mr. Oula SOMCHANMAVONG, Deputy Chief of Economic Planning Division, Planning Department, CPI
9:30 – 10:00	Q & A	
10:00 – 10:30	Tea Break	
Group Discussions		

National Conference on Microfinance for the Poor in Lao PDR

10:30 – 11:30	<i>Common Issue:</i> Poverty Alleviation and the Government of Lao PDR's Next Five Year Plan	<i>Mr. Souphith DARACHANTHRA</i> , Chief Division of Research Development, NERI
	<i>Group 1:</i> The Role of the Bank of Lao PDR in Promoting the Growth and Development of the Microfinance Sector	<i>Mr. Mayty KHAMPHUCDUANGKEO</i> , Deputy Director of Planning and Investment of Xiengkhaung province
	<i>Group 2:</i> The Role of CPI/NERI in Promoting the Growth & Development of the Microfinance Sector in Lao PDR	<i>Mr. Chume SAYSONGKHAM</i> , Deputy Supervision President of Village Development Fund, Bokeo Province
	<i>Group 3:</i> The Role of Practitioners in Promoting the Growth & Development of the Microfinance Sector in Lao PDR	<i>Mr. Bouneyou THAMMAVONG</i> , Deputy Director of Planning and Investment of Savannakhet province
	<i>Group 4:</i> The Role of Donors & INGOs in Promoting the Growth & Development of the Microfinance Sector in Lao PDR	<i>Mr. Khamsen SOYSITHATTHA</i> , Programme Manager of SCA
11:30 – 12:00	Summarise and submit the findings of the group discussion.	
12:00 – 13:30	Lunch Break	
13:30 – 14:40	<i>Group Presentations</i>	Chair: <i>Mr. Souphith DARACHANTHRA</i> , Chief Division of Research Development, NERI
	Group 1: Presentation	<i>Mrs. Phouthone SOUPHANTHONG</i> , LWU Committee
	Group 2: Presentation	<i>Mr. Khanthaly SENVILAYVONG</i> , Director of RFS
	Group 3: Presentation	<i>Mr. Khamphanh SANAPHANH</i> , Co-Expert of Credit, PDDP
	Group 4: Presentation	<i>Phetavone, Concern</i>
14:40 – 15:00	Tea Break	
15:00 – 15:45	Concluding Remarks	<i>Mr. Palash Bagchi</i> , Acting Country Director of Concern Worldwide
15:45 – 16:00	Concluding Remarks	<i>Mr. Souphith DARACHANTHRA</i> , Chief Division of Research Development, NERI
16:00 – 16:15	Closing speech	<i>Mr. Bounthary SYSOUPHANTHONG</i> , Director of CPI Cabinet
16:15	Conference Close	

Annex 2. List of Participants

NO	NAME	ORGANISATIONS	POSITION	PROVINCES
1	Mrs. Sommai Sengvilay	Lao Women Union (LWU)	President	Phongsaly
2	Mr. Khamphone Volasan	Department of Planning and Investment (DPI)	Head of Cabinet	
3	Mr. Boaulior Inthava	Department of Agriculture and Forestry (DAF)	Director	
4	Mr. Khamphan Sanaphan	PDDP	Co-Expert of Credit, PDDP	
5	Mr. Phui	PDDP		
6	Mr. Suvantha	PDDP		
7	Ms. Checkalin	PDDP	Expert	
8	Mrs. Saikham Keopila	Lao Women Union (LWU)	Vice President	Luang Namtha
9	Mr. Saysomhone Sengmanichanh	Department of Planning and Investment (DPI)	Officer	
10	Mr. Khammouane Vorkhamcheua	Department of Agriculture and Forestry (DAF)	Deputy Director	
11	Mrs. Sithone Bouppakham	Lao Women Union (LWU)	Vice President	Oudomxay
12	Mr. Humphanh Kosada	Department of Planning and Investment (DPI)	Deputy Director	
13	Mr. Homphan Bouppakham	Department of Agriculture and Forestry (DAF)	Deputy Director	
14	Mr. Khanthaly Senvilayvong	LUX Development Project	Director of RFS	
15	Mr. Chom Saysongkham	Department of Planning and Investment (DPI)	Director	Bokeo
16	Mr. Bounmy	Department of Agriculture and Forestry (DAF)	Director	
17	Mrs. Thatsadaphone	Lao Women Union (LWU)	Vice President	
18	Mr. Bandid Sisuda	GTZ	Officer	
19	Mrs. Vansy Sayyavong	VECO	Consultant of Project	
20	Mrs. Duangchan La-Onekham	Lao Women Union (LWU)	Vice President	Luang Prabang
21	Mr. Bounluon Singnakhone	Department of Planning and Investment (DPI)	Deputy Director	
22	Mr. Bounethan Keoboulapha	Department of Agriculture and Forestry (DAF)	Deputy Director	
23	Mr. Songkham Manivong	Luang Prabang Saving and Credit Union	Chairman	
24	Mrs. Somphone Lorvanhkeo	Lao Women Union (LWU)	Vice President	Huaphanh
25	Mr. Khamlar Bounmisay	Department of Planning and Investment (DPI)	Deputy Director	
26	Mr. Sathaine Vannasouk	Department of Agriculture and Forestry (DAF)	Deputy Director	
27	Mrs. Thevy Phanhluck	Lao Women Union (LWU)	President	Sayabouly
28	Mr. Bounkhong Phongsavanh	Department of Planning and Investment (DPI)	Deputy Director	
29	Mr. Kongsy Vongsy	Department of Agriculture and Forestry (DAF)	Deputy Director	

30	Mr. Khammy Phanuvong	Microfinance Office	Chief of MF Office	Xeingkaung
31	Mrs. Thongsay Phupomchit	Remote Community Poverty Reduction Project	Project Manager	
32	Mrs. Outhaine Pasisomsay	Lao Women Union (LWU)	President	
33	Mr. Maily Khampudaungkeo	Department of Planning and Investment (DPI)	Deputy Director	
34	Mrs Bounsly Vongdara	Department of Agriculture and Forestry (DAF)	Director	Vientiane
35	Mrs Inkham Mindara	Lao Women Union (LWU)	President	
36	Mr. Sytha Phanthaba	Department of Planning and Investment (DPI)	Deputy Director	
37	Mr. Bouneyoo Inthapatha	Department of Agriculture and Forestry (DAF)	Deputy Director	
38	Mr. Sython Siriphong	Vientiane Saving and Credit Union	Manager	
39	Mr. Bounloui Vongsay	Phoneseung Agriculture Development Centre	Deputy Director	
40	Mr. Somdy Sivone	NernSeung Agriculture development Centre	Director	
41	Mrs. Khamyong Chongmanivong	Lao Women Union (LWU)	Vice President	Bolikhamxay
42	Mr. Bounma Bounchalearn	Department of Planning and Investment (DPI)	Head of Department	
43	Mr. Phatthachone Keophutthavong	Department of Agriculture and Forestry (DAF)		
44	Mr. khamPhuvieng Panyaphone	Keth 4 Parthone Product Development Fund	Director	
45	Mrs. Phayboune Sayyakumman	Lao Women Union (LWU)	President	Khammaoune
46	Mr. Viravanh Khamtan	Department Planning and Investment (DPI)	Deputy Director	
47	Mr. Phomma	Department of Agriculture and Forestry (DAF)	Director	
48	Mr. Bounyoo Thammavong	Department of Planning and Investment (DPI)	Deputy Director	Savannakhet
49	Mr. Phouvang Kethkeovongphone	Department of Agriculture and Forestry (DAF)	Deputy Director	
50	Mr. Khemmala Chanthaviphone	Seno Saving and Credit Union	Chairman	
51	Mrs. Nou-Ing Hengsombat	Lao Women Union (LWU)	President	Salavanh
52	Mr. Sayyadeth Vongsalavanh	Department of Planning and Investment (DPI)	Deputy Director	
53	Mr. Thongdy Chanthavong	Department of Agriculture and Forestry (DAF)	Deputy Director	
54	Mr. Phuvieng Norasin	Charity Fund	Deputy Director	
56	Mrs. Boun Hiengbounchit	Lao Women Union (LWU)	Vice President	Xekong
57	Mr. Kaisone Saisangkhy	Department of Planning and Investment (DPI)	Director	
58	Mr. Bounmy Chitpanya	Department of Agriculture and Forestry (DAF)	Director	
59	Mrs. Phuthone Souphanthong	Lao Women Union (LWU)	Vice President	Champassak
60	Mr. Champa Khamsouksay	Department Planning and Investment (DPI)	Deputy Director	
61	Mr. Chamleur Sihavong	DAF	Chief of Administration	

62	Ms. Chanthaly Sulivong	Lao Women Union (LWU)	Officer	Attapeu
63	Mr. Sulichan Homkeo	Department of Planning and Investment (DPI)	Deputy Director	
64	Mr. Chamchai Saysana	Department of Agriculture and Forestry (DAF)	Officer	
65	Mrs. Khamchan Khadoudome	Women Income Promotion Project	Chief of Sector	Xaysomboun Special Zone
66	Mrs. Vilaychan	Lao Women Union (LWU)	President	
67	Mr. Sommai Kosada	Department of Planning and Investment (DPI)	Deputy Director	
68	Mr. Boua-A Phompavong	Department of Agriculture and Forestry (DAF)	Deputy Director	Vientiane Capital
69	Mrs. Nakonsy	Bank of Lao PDR	Deputy Head of Planning Division	
70	Mr. Leurn Vongpranakhone	Bank of Lao PDR	Deputy Director of Bank and Financial Institution Supervision Department	
71	Mr. Arlath Chanthavong	Bank of Lao PDR	Officer	
72	Mr. Visay Chanthavong	National Statistic Centre, CPI	Deputy Chief Division	
73	Mrs. Chansouk	Finance Policy Department, MOF	Deputy Chief Division	
74	Ms. Siengchanh Chanthasane	Faculty of Economic and Business Administration, NUOL	Vice Dean	
75	Mr. Phanthaboune Sayyaphet	APB	Vice Chairman	
76	Mrs. Chandy Pankeo	Lao Women Union		
77	Mr. Sengdao Keomany	Lao Youth Union	Head of Division	
78	Mr. Thongkoun Khongpaseuth	Trade Union	Deputy Chief of Division	
79	Mrs. Siphachanh	Lao Front For Construction	Financial Chief	
80	Mrs. Somchit Phannulath	Ministry of Agriculture and Forestry	Head of Statistic Division	
81	Mr. Siengphet	Poverty Reduction Fund		
82	Mr. Phonekham Phethavong	Department of Agriculture and Forestry (DAF)	Head of Cabinet	
83	Mrs. Naly Phommanivong	Lao Women Union of VT Capital		
84	Mr. Bounlai	Department of Planning and Investment of VT		
85	Mr. Khanthone Phameung	FIAM	President	
86	Mr. Sisalieoy Savengseuksa	Credit Cooperative Supporting/ Small Production(CCSP)	President	
87	Mr. Sengphet Sihapanya	Vientiane Development Fund	Officer	
88	Mr. Khansay Soukphakosonh	Lao Post Saving Institute	Head of Institute	
89	Mr. Somchit Bounleum	Naxaythong Credit Union	Chairman	
90	Mr. Bounkham Sisouvong	SIPSACRES	Chairman	
91	Mr. Somsack	Microfinance Centre	Assistant	

92	Mr. Southanome	Lao-Japan Training Centre	Head of administration Department
93	Mr. KURZ	DGRV	Representative to Lao PDR
94	Mrs. Malaivan Khamhueng	AFESIP	Social Officer
95	Ms. EMMA	Handicap International	Project Coordinator
96	Mrs. Chomkham	Australian Embassy	
97	Mr. Scott Rotton	USA Embassy	
98	Mr. Phonesavanh	EU Project	Project Officer
99	Mr. Lathtanatay	ADB	Senior Economic
100	Mr. Thilaphong Oudomsinh	UNDP	Project Manager
101	Mr. Keungkham	UNIDO	
102	Ms. Thiengpachanh Ham	CARE International	Project Assistant
103	Mrs. Manivone Vorachack	Comite de Coopération avec le Laos (CCL)	Director
104	Mr. Phetdavone	Concern Worldwide Laos	
105	Mrs. Phethpada	DED (German Dev Service)	Manager
106	Mrs. CRITINA	Deutsche Welthunger hilfe DWHH/GAA	Program Assistant
107	Mr. Visuvath	Handicap International Belgium	Trainer
108	Mr. Khamsen Soysithattha	Save the Children Australia	Project Manager
109	Mrs. Boualay Oudomvilay	Netherlands Development Organization (SNV)	MF Advisor
110	Mr. PRASANNA	World Vision	Director
111	Mr. Korkeo Phandanouvong	Quaker Service in Laos	
112	Mr. Souksamome	Credit Cooperative Supporting/ Small Production(CCSP)	
113	Mr. Athsavin	Credit Cooperative Supporting/ Small Production(CCSP)	
114	Mrs. Oulalack	Credit Cooperative Supporting/ Small Production(CCSP)	
115	Ms. DARA GOUANNEUX	Credit Cooperative Supporting/ Small Production(CCSP)	
116	Mr. Simath	German Agro Action (GAA)	
117	Ms. Sirivanh Khonthapane	NERI/MCBR	Director General
118	Mr. Souphith Darachanthara	NERI/MCBR	Chief of Development Research Division
119	Mr. Palash Bagchi	NERI/MCBR	ACD of Concern Worldwide Laos
120	Mr. Thanongsai Soukkhamthat	NERI/MCBR	Project Coordination, MCBR
121	Mr. Phousay Vipphonhein	NERI/MCBR	Assistant Project Manager

122	Mr. Duangchay Keomixay	NERI/MCBR	Research Officer
123	Mr. Khamsing Palathknam On	NERI/MCBR	Research Officer
124	Mrs. Vilinda Pathummavong	NERI/MCBR	Research Assistant
125	Ms. Phonesavanh Sithideth	NERI/MCBR	Research Assistant
126	Mrs. Dorkfar Siyotha	NERI/MCBR	Research Assistant
127	Ms. Oulaphone Pheungsavanh	NERI/MCBR	Research Assistant
128	Mr. Shane Brady	NERI/MCBR	International Volunteer
129	Mr. Manolith Soumphonpacdy	Microfinance Unit, BoL	Officer
130	Mr. Sounthone Chanthavisith	NERI	Division Chief of Administration
131	Mrs. Chongpasert Vilayluck	NERI	Deputy Chief of Development Research Division
132	Mr. Sithiroth Rathsaphone	NERI	Officer
133	Mr. Phokhong Thepkaisone	NERI	Officer
133	Mr. Sengphrachanh Simangkhala	NERI	Officer
135	Mr. Daounsavanh	NERI	Officer
136	Mr. Voradeth	NERI	Officer
137	Mr. Kaisone	MCBR	Driver
138	Ms. Daovong Simmavong	NERI	Officer of Administration Division

Director General of NERI
National Project Director of MCBR



Ms. Sirivanh KHONTHAPANE

Chief of Development Research Division
National Project Manager of MCBR



Mr. Souphith DARACHANTHRA