

ASIAN DEVELOPMENT BANK

TAR:VAN 37683

**TECHNICAL ASSISTANCE
TO THE
REPUBLIC OF VANUATU
FOR
RURAL AND MICROFINANCE OUTREACH**

December 2003

CURRENCY EQUIVALENTS

(as of 17 November 2003)

Currency Unit	–	vatu (Vt)
Vt1.00	=	\$0.00869
\$1.00	=	Vt115

ABBREVIATIONS

ADB	–	Asian Development Bank
CDF	–	Co-operative Development Fund
MFEM	–	Ministry of Finance and Economic Management
NBV	–	National Bank of Vanuatu
NVSBDF	–	Ni-Vanuatu Small Business Development Fund
TA	–	technical assistance
UNDP	–	United Nations Development Programme
VANWODS	–	Vanuatu Women Development Scheme

NOTE

In this report, "\$" refers to US dollars.

The report was prepared by A. Iffland.

I. INTRODUCTION

1. The draft country strategy and program update (CSPU) 2004–2006 for Vanuatu identifies three main areas the Asian Development Bank's (ADB) assistance will focus on: (i) development of a government and bureaucracy that operate in a transparent, accountable, and fully accessible manner; (ii) provision of services to the poor, particularly to address problems of unemployment and lack of training in the outer islands; and (iii) creation of an environment conducive for private sector development, including reducing costs, encouraging competition, creating a secure framework for transactions, and expanding business development finance. Access to credit, particularly in rural areas, is widely acknowledged as a major impediment particularly for the development of ingenious micro and small enterprise. As a consequence, ADB provided in 2002 project preparatory technical assistance¹ to the National Bank of Vanuatu (NBV) to design a rural finance product for pilot testing in rural areas. The draft country strategy program update states "if so requested, and after more experience is gotten under the microfinance pilot project [implemented by NBV], ADB would help develop a proposal for a suitable microfinance program." NBV's recent evaluation (July 2003) of the pilot project showed very encouraging results. Subsequently, the Government requested ADB to provide an advisory technical assistance (TA) to carry out a detailed analysis of ongoing, predominantly government-run credit schemes; develop a strategy to consolidate these schemes; and provide capacity-building support for the expansion of the rural and microfinance services.

2. The ADB Fact-Finding Mission (the Mission) visited Vanuatu during 29 September–3 October 2003.² The Mission consulted with representatives from Government agencies, the private sector, commercial banks, and external funding agencies. The TA paper is based on the Mission's analysis of the rural financial market and the views expressed by the stakeholders during the Mission. The TA Framework is in Appendix 1 and the Summary Initial Social and Poverty Analysis is in Appendix 2. The Government reconfirmed its strong interest in and support for the TA, and highlighted its timeliness.³

II. ISSUES

3. According to the population census of 1999, Vanuatu had 146,584 people in 28,157 households in rural areas. About 78% of rural households are in the outer islands. Agricultural production is the main source of income for rural households and accounts for about 25% of the gross domestic product. Most of the rural people are on low-income categories. According to the household income and expenditure survey of 1998, 52% of the rural households had monthly incomes of less than Vt20,000 (\$174). Despite the heavy concentration of population in rural areas, rural financial services remain underdeveloped. Although many rural households have savings accounts with NBV, most do not have access to credit from semi-formal or formal financial institutions, including NBV.⁴ Urban low-income groups also suffer from the same problem. However, recent reviews of community priorities undertaken by the Rural Economic Development Initiatives Program,⁵ as well as other community assessments, and the participatory poverty assessment, all point to a common need for improved financial services.

¹ ADB. 1999. *Technical Assistance to the Republic of Vanuatu for Rural Financial Services*. Manila (approved on 16 June 1999 for \$250,000, and completed on 31 May 2002).

² The Mission comprised Andrea Iffland, senior country programs specialist/mission leader, and Nimal Fernando, lead microfinance specialist.

³ The TA first appeared in *ADB Business Opportunities* (Internet version) on 3 September 2003.

⁴ For example, NBV had only 790 active loans at the end of 2002.

⁵ The program is an initiative of the Department of Provincial Affairs. It emphasizes the economic needs of rural communities, which are identified by the communities themselves. The resulting proposals for improving their source of livelihood are submitted for Government assistance.

4. Vanuatu underwent a comprehensive reform program in the late 1990s. Under this program, the financial sector experienced significant institutional changes. The Development Bank of Vanuatu was closed; NBV was restructured; additional capital was injected; and NBV was placed under new, foreign management. These reforms however, did not provide a solution to the problem of the rural population's lack of access to financial services. Nor did it address the financing problem of urban low-income households.

5. The Government has, in recent years, attempted to increase the supply of credit to rural and urban low-income people through various measures. Most of the measures depend on grants provided by external funding agencies. Two rural sector-focused programs, the Ni-Vanuatu Small Business Development Fund (NVSBDP) and the Co-operative Development Fund (CDF), are financed with a grant provided by the People's Republic of China.⁶ The NVSBDP is operated by the Department of Trade while the Department of Co-operatives and Rural Business Development Services operates the CDF program. The NVSBDP has provided loans to individuals and the CDF lends to cooperatives for purposes such as procurement of copra from their members and vehicles for transport of produce. The United Nations Development Programme (UNDP) funded the Vanuatu Women Development Scheme (VANWODS), a modified Grameen Bank replication targeted at urban low-income, disadvantaged women.⁷ The European Union has agreed to provide a credit line of E160,000 for agricultural producers, and a credit line of approximately \$100,000 for the members of the Tourism Bungalow Association. The Chamber of Commerce will operate both schemes. In December 2002, NBV introduced a rural finance loan on a pilot basis in the outer island of Tanna. This loan product was developed with the support from an ADB-funded TA (footnote 1). This is the only rural credit facility operated by a financial institution.

6. The sporadic attempts by some government departments to address the demand-supply gap in rural credit, although with a good intentions, appear to have aggravated the problem. First, they have contributed to the fragmentation of the market rather than integration. Second, they have promoted financial indiscipline through lax approaches to loan screening and recovery. Except VANWODS, credit programs operated by government departments have very low loan recovery rates that severely limit their outreach and rapidly deplete their capital. Third, they have led to a substantial wastage of scarce resources. Fourth, they have also created a new group of stakeholders that opposes reforms in rural financial markets aimed to improve outreach on a sustainable basis. The latter was evident to the Mission by the refusal of some key officials to provide necessary data and information on operations of the NVSBDP and CDF. The Government is aware of this unsatisfactory situation and the reluctance of departments that manage the NVSBDP and CDF to release the remaining funds. However, the Government continues to stress the importance of providing access to finance for rural households and small businesses, and has therefore given the highest priority to the consolidation of the government-operated schemes.

7. The poor performance of credit schemes operated by government departments has created a great deal of disappointment among the rural population, operators of micro and small enterprises and politicians, and rekindled interest in establishing a new financial institution to provide rural financial services. Among people who propose a new financial institution, some

⁶ The Mission was advised by Embassy of the People's Republic of China that (i) the grant is to be used to support rural and small businesses; (ii) no implementing arrangements were specified; and (iii) no performance reports are required.

⁷ VANWODS is undergoing some changes in management and operations with renewed support from the Government and UNDP. Major stakeholders at a high-level meeting held in Port Vila on 4 February 2003 have endorsed a strategy for transforming of VANWODS into a commercially oriented institution. The Government is pursuing this strategy with assistance from UNDP, as the services are oriented to disadvantaged groups.

support the need to consolidate the numerous existing credit schemes or programs of nonfinancial institutions. Some others simply base their support on the need for a new institution to meet the demand for development finance. The first category appears to support the creation of a financial subsidiary of NBV while the second category argues for a new development bank despite the checkered history and closure of the development bank that the country had until the late 1990s.

8. Given the small size of the market, the scattered population in outer islands, and low population density, there is no justifiable case for either of these models for rural financial market development. First, the consolidation of existing schemes/programs does not necessarily require a new institution and there are more effective and efficient ways to achieve this objective. Second, limited human resources in the financial sector are a binding constraint on a new institution. Third, a new institution also requires a network of outlets to reach rural areas. A superstructure alone cannot ensure sustainable outreach. Fourth, a new institution may be compelled to charge prohibitively high interest rates to cover costs and build its equity base over time. The effective demand for credit at such rates may not be as high as it is generally presumed to be. Fifth, an institution providing only loans cannot perform the much needed financial intermediation services and capture economies of scale. Given this situation, NBV's branch network and infrastructure may be more efficiently and effectively used at a lower marginal cost to expand the outreach on a sustainable basis. NBV has a significant outreach in outer islands on the savings side and achieved generally successful results with the new rural loan product launched on a pilot basis. However, the Government needs to continue its policy of noninterference with NBV's business operations. If political interference is allowed even on a smallscale, NBV will not be able to adopt a commercial approach.

9. Thus, analysis of the issues and options has lead the Government to allow NBV to play the lead role in expanding rural financial service outreach. This could be done (i) through transferring the responsibility for administration of the existing schemes to NBV on a fee basis, and (ii) with continued support for NBV to expand the successfully pilot-tested rural credit product to all of its branches. At the same time, NBV has to be proactive in expanding its deposit mobilization activities in rural areas, given that many rural households value easy access to safe and convenient deposit services. Such services are particularly important for poor households.

10. NBV's new rural loan product, introduced on a pilot basis, offers considerable promise. NBV had given 49 loans under this pilot scheme in its Tanna branch and 20 in its Efate branch by the end of September 2003. The recovery rate was 100% at the end of September 2003. However, NBV is excessively risk averse due to its history of high nonperforming loans.

11. Given the small size of the market, there is no room for another formal institution like NBV to operate in rural areas. However, NBV has to adopt a dynamic business approach and use its infrastructure to reach as many rural households as possible without compromising the quality of its loan portfolio. NBV needs to (i) take appropriate measures to offer the new rural loan product on an increasing scale in all branches, (ii) make a systematic effort to offer more demand-driven deposit services to increase the deposit outreach in rural areas and among low-income households in urban areas, and (iii) explore possibilities for introducing a cash-flow-based rural loan product.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

12. The TA will assist the Government to provide people in urban and rural areas with access to financial services and subsequently enable people to pursue viable economic opportunities and income-generating activities. The expected outcomes that will contribute to achieving the goal are that (i) existing and future rural and microfinance services follow a consistent approach that ensures sustainable, effective, and efficient service delivery; and (ii) people in rural and urban areas take advantage of the availability of sustainable rural and microfinance services. The associated outputs are (i) the consolidation of existing Government-operated rural and small business financing schemes, and (ii) the expansion of rural financial services provided by NBV. The TA will assist NBV to design a performance-based service agreement to use the resources in directed credit programs operated by the Government to provide credit for economic activities of rural households and low-income households in urban areas on a commercial basis. The design of a banking education campaign and a savings mobilization strategy will address a key issue in financial intermediation, so far neglected in Vanuatu. The scope of the TA includes assistance to NBV to (i) design a sustainable cash flow-based loan product, (ii) develop performance indicators and a monitoring and evaluation system, (iii) assess the performance of NBV's rural finance loan product and the direct and indirect costs associated with it; and (iv) train loan officers in credit appraisal.

B. Methodology and Key Activities

13. **Output 1.** A guided study tour to selected microfinance institutions in Asia will be organized in preparation of the expansion of sustainable rural and microfinance in Vanuatu. Participants will include senior officials from the Ministry of Finance and Economic Management (MFEM), the Reserve Bank of Vanuatu, NBV management, and the Chamber of Commerce. Each participant will present the knowledge and insights gained during the study tour at a national stakeholder workshop in Vanuatu. The international consultant will present the guiding principles of rural microfinance at this workshop. A better and shared understanding of the basics of rural microfinance and a draft action plan to expand it will be the output of the workshop.

14. NBV will be assisted by the international consultant in drafting a performance-based service agreement that will guide the operations of the consolidated credit funds on behalf of the MFEM. Lending modalities and procedures applicable for a cash flow-based loan product to be financed from the consolidated funds will be determined. Performance indicators will be agreed upon and features of the associated monitoring and evaluation system will be determined. It is expected that the performance agreement will be used as a framework for future credit facilities provided by the Government and external agencies. The underlying assumption is that the Government and external agencies will continue to support and adopt sound principles of rural microfinance and do not revert to subsidized loans and fund depleting credit schemes.

15. **Output 2.** In preparation for extending the outreach of NBV's rural financial services, an in-depth evaluation of NBV's pilot-tested loan product will be carried out. The international consultant will help NBV prepare an expansion plan to extend the rural loan product to other branches in the outer islands, and carry out credit appraisal training for loan officers. NBV will be assisted to formulate a savings mobilization strategy and to subsequently implement the strategy. Options for expanding outreach in remote locations will be examined and legal and administrative barriers to the mobilization of small savings will be addressed.

16. Based on available information and the experience gained in Vanuatu so far, undoubtedly the market for rural financial services is underserved. Adequate product design will narrow the demand-supply side gap and will subsequently stimulate the development of the private sector also in rural areas. The results of the TA and the performance of rural and microfinance in Vanuatu will be documented and published in ADB's Pacific Studies Series.

C. Cost and Financing

17. The TA is estimated to cost \$320,000 equivalent. The Government has requested that ADB finance \$250,000 equivalent, covering the entire foreign exchange cost of \$200,000 and \$50,000 equivalent of the local currency cost. The TA will be financed on a grant basis by ADB's TA funding program. The Government together with NBV will provide counterpart staff and in-country transportation for counterparts, local transport, office and communication facilities for the international consultant, and workshop facilities amounting to \$70,000 equivalent in local currency. NBV will cover the costs of extending the rural loan product to additional NBV branches, including staff, office equipment, and operating costs. NBV's equity will be used to extend the rural finance loans. The TA will finance (i) international consulting services; (ii) one study tour; (iii) training and workshops; (iv) savings mobilization and a banking education campaign; and (vi) equipment. Detailed cost estimates are in Appendix 3.

D. Implementation Arrangements

18. The Department of Economic and Social Development will be the Executing Agency of the TA. The international consultant will work under the overall guidance of the Director General of MFEM. The managing director, the manager of lending operations, and the manager of risk management of NBV will work on a day-to-day basis with the international consultant. The international consultant will advise the banking association of Vanuatu, currently chaired by NBV, on the banking education campaign. The association will be responsible for the implementation.

19. The international consultant will have specialization in financial sector development with an emphasis on rural financial services. The TA will be implemented over a period of about 24 months (February 2004–January 2006). The assignment of the consultant (3.5 person-months) will be intermittent. The consultant will carry out a performance review of NBV's rural finance product, including an activity-based costing, assist NBV in preparing a first draft of the services agreement, and guide the study tour for senior government officials and NBV management. The consultant will also conduct the national stakeholder workshop and advise NBV on the expansion of rural financial services, including the design of a saving mobilization strategy, banking education campaign, and associated staff training. The consultant will submit (i) progress reports after each field visit, summarizing findings, issues, and next steps; (ii) a draft final report, in accordance with the terms of reference, 2 weeks after the completion of the assignment; and (iii) a draft report suitable for publication. The expected TA completion date is January 2006. An individual consultant will be selected and engaged by ADB in accordance with ADB's *Guidelines on the Use of Consultants*. Appendix 4 provides the outline terms of reference for the consultant.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$250,000 on a grant basis to the Government of Vanuatu for Rural and Microfinance Outreach, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal The population pursues existing economic opportunities and income generating activities.</p>	By 2010 the average household income has increased by 15%.	Household and income and expenditure survey.	
<p>Purpose Sustainable financial services are available to the rural and urban population of Vanuatu.</p>	By 1/2006, savings and credit services are provided in at least one additional location in each of the six provinces.	Annual reports of commercial banks.	The Government and commercial banks demonstrate commitment to provide sustainable rural and microfinance services.
<p>Outcome 1 Existing and future rural and microfinance services follow a consistent approach that ensures sustainable, effective, and efficient service delivery.</p>	By 1/2006 the consolidated credit fund and the National Bank of Vanuatu's (NBV) rural finance product have achieved financial sustainability.	Financial statements of the NBV and annual report on the consolidated fund.	Government and development agencies support the principles of rural and microfinance.
<p>Output 1: Government-run credit schemes are consolidated</p> <p>Activities</p> <ol style="list-style-type: none"> 1. Conduct a guided study tour for senior government officials and NBV management to commercial microfinance institutions in selected countries in Asia. 2. Facilitate a national stakeholder workshop on principles of rural and microfinance services. 3. Design and implement a service agreement for NBV to manage the consolidated funds of 	<p>By 4/2004, the consolidation of government-operated credit schemes has been completed.</p> <p>By 5/2004, the participants of the study tour (up to 6 people) contributed their experiences and lessons learned to the national stakeholder workshop (activity 1.2.)</p> <p>By 6/2004, the stakeholders have drafted an action plan to further rural and microfinance principles.</p> <p>By 4/2004, both parties have signed the service agreement</p>	<p>Government records.</p> <p>Report of the national stakeholder workshop.</p> <p>Draft action plan.</p> <p>Signed service agreement.</p>	Ministries responsible for various credit schemes agree to the consolidation.

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>credit schemes on behalf of the Ministry of Finance and Economic Management.</p> <p>4. Develop lending modalities and procedures for a cash flow-based loan product.</p> <p>5. Offer new loan product in NBV's rural branches.</p> <p>6. Design and apply performance indicators and a monitoring and evaluation system.</p>	<p>By 6/2004, the new loan product has been launched.</p> <p>By 12/2005, the new loan product has been introduced in at least 6 rural branches.</p> <p>By 10/2004, the monitoring system is operational.</p>	<p>NBV records.</p> <p>NBV records.</p> <p>Technical assistance (TA) reports.</p>	
<p>Outcome 2 People in rural and urban areas take advantage of the availability of sustainable rural and microfinance services.</p> <p>Output 2 NBV's rural financial services are increased.</p> <p>Activities 1. Evaluate the performance of NBV's rural finance loans and determine the direct and indirect costs of this loan product. 2. Train NBV loan officers in credit appraisal.</p>	<p>By 1/2006, at least 400 rural finance loans have been provided and the recovery rate does not fall below 95%.</p> <p>By 12/2005, savings mobilization strategy has resulted in doubling the current deposits in rural branches.</p> <p>By 12/2005, rural finance loans have been introduced in four additional branches.</p> <p>By 3/2004, a detailed costing of the rural finance loan product is available and the evaluation results are presented to NBV's board of directors.</p> <p>By 5/2005, at least 15 branch loan officers have been trained in credit appraisal.</p>	<p>NBV management information system.</p> <p>NBV management information system.</p> <p>TA report</p> <p>TA report.</p>	<p>The macroeconomic environment does not erode business opportunities and profit margins.</p> <p>Village chiefs continue to provide character assessments of loan applicants.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>3. Develop and implement a savings mobilization strategy including the examination of agency banking.</p> <p>4. Develop and implement a national banking education campaign in cooperation with the commercial banks.</p>	<p>By 9/2004, a savings mobilization campaign has been launched.</p> <p>By 12/2004, a banking education campaign has been agreed upon and is ready for launching in 2005.</p>	<p>Media reports.</p> <p>Media reports.</p>	
<p>Inputs</p> <p>Asian Development Bank</p> <p>Government</p>	<ul style="list-style-type: none"> • International Consulting Services (\$107,000) • Equipment (\$30,000) • Training, Workshops, and Study tour (\$59,000) • Surveys (\$20,000) • Report, Communications, and Publications of Results (\$7,000) • Miscellaneous Administrative Expenses (\$5,000) • Contingencies (\$22,000) • Counterpart staff (\$52,000) • Office facilities and transport (\$10,000) • Workshop and other support (\$8,000) 		

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS (IPSA) REPORT FORM

A. Linkages to the Country Poverty Analysis

<p>Sector identified as a national priority in country poverty analysis? Yes/No The community priorities to address causes of hardship for Government action and support, as documented in the participatory poverty agreement, explicitly state the provision of banking and credit facilities.</p>	<p>Sector identified as a national priority in country poverty partnership agreement? Yes/No The Poverty Partnership Agreement signed on 17 September 2003, stresses the importance of a conducive framework for the development of the private sector. Access to rural and microfinance is seen as an essential framework condition.</p>
<p>Contribution of the sector/subsector to reduce poverty in Vanuatu: Access to financial services, including saving and credit facilities.</p>	

B. Poverty Analysis

Proposed Classification

<p>What type of poverty analysis is needed? A participatory poverty analysis was completed in September 2003. The information provided are sufficient. No additional analysis is required for the Technical Assistance.</p>

C. Participation Process

<p>Stakeholder analysis? It was part of Technical Assistance 3206-VAN Rural Finance Services.</p> <p>Participation strategy? No</p>

D. Gender and Development

<p>Strategy to maximize impacts on women: Earlier analysis and the recent assessment of rural financial services provided by the National Bank of Vanuatu revealed an equal numbers of male and female borrowers. However, the proposed savings mobilization and banking education campaign will ensure that special attention will be given to the needs of potential female client.</p> <p>Gender plan prepared? No</p>

E. Social Safeguards and other Social Risks^a

	Significant/ Nonsignificant/ None ^b	Strategy to Address Issues	Plan Required ^c
Resettlement^d	None		None
Indigenous Peoples	None		No
Labor	None		No
Affordability	None		No
Other Risks/ Vulnerabilities	None		No

^a Initial poverty and social analysis and/or summary poverty reduction and social strategy criteria for assessing the significance of social issues are available in the Asian Development Bank *Handbook for Poverty and Social Analysis*, version available at http://adb.org/Documents/Handbooks/Poverty_Social/default.asp

^b If not known, a contingency should be included in the technical assistance budget to predict the need of a plan.

^c A plan will be required at design stage if any of the potential issues are found significant.

^d Significant involuntary resettlement requires a full resettlement plan; nonsignificant requires a short resettlement plan.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. International Consultants			
a. Remuneration and Per Diem	80.0	0.0	80.0
b. International and Local Travel	24.0	3.0	27.0
2. Equipment	30.0	0.0	30.0
3. Training, Seminars, and Conferences			
a. Study Tour	45.0	0.0	45.0
b. Training Programs	0.0	9.0	9.0
c. Workshops and Conferences	0.0	5.0	5.0
4. Survey	0.0	20.0	20.0
5. Reports, Communications, and Publication of Results	4.0	3.0	7.0
6. Miscellaneous Administration and Support Costs	0.0	5.0	5.0
7. Contingencies	17.0	5.0	22.0
Subtotal (A)	200.0	50.0	250.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	10.0	10.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	52.0	52.0
3. Others including workshop facilities	0.0	8.0	8.0
Subtotal (B)	0.0	70.0	70.0
Total	200.0	120.0	320.0

^a Financed by ADB's TA funding program.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANT

1. The consulting services for the technical assistance (TA) will be provided by an individual, international consultant. The consultant will be a financial sector specialist and the services will be needed for 3.5 person-months. The designation and tasks (with category and person-months in parentheses) are as follows.

2. The consultant will work under the guidance of the Director General of the Ministry of Finance and Economic Management (MFEM), supported by the Department of Economic and Social and Development—the Executing Agency of the TA—and, on a day-to-day basis, with the National Bank of Vanuatu (NBV). The specific duties and responsibilities are as follows:

- (i) Assist MFEM and NBV to design a performance-based service agreement to enable NBV to manage the resources transferred/to be transferred by MFEM for cash flow-based lending to rural and urban households. The agreement should have incentives for NBV to operate effectively and efficiently in providing credit and achieving high loan recovery rates.
- (ii) Develop lending modalities and procedures applicable for a cash-flow-based loan product to be financed from the consolidated funds.
- (iii) Design a banking education campaign in consultation with MFEM, NBV, Reserve Bank of Vanuatu, the commercial banks, and the Chamber of Commerce.
- (iv) Assist NBV to formulate a savings mobilization strategy to expand its deposit services among urban and rural low-income households.
- (v) Examine options for agency arrangements in remote locations and assess the legal and administrative barriers to the mobilization of small savings.
- (vi) Evaluate the performance of NBV's rural finance loans, and carry out an activity-based cost analysis of NBV's rural credit operations, and submit the results to the NBV and Asian Development Bank.
- (vii) Assess selected branch operations of NBV and operating costs with implications for pricing of loans.
- (viii) Conduct at least two training programs in credit appraisal to relevant staff of NBV including those at branch level.
- (ix) Organize a study tour to selected rural financial institutions in Asia for senior government officials, NBV management, and the Chamber of Commerce. Provide guidance to the participants during their visits to ensure that they will benefit fully from the study tour.
- (x) Organize and conduct a national stakeholder workshop upon completion of the study tours to ensure that the participants share their knowledge and experience in rural finance in the countries visited.

- (xi) Present the guiding principles of rural and microfinance, and among other topics discuss credit assessments and interest rate calculations. Facilitate the drafting of an action plan to expand rural and microfinance
- (xii) Prepare (a) brief reports after each field visit summarizing findings, issues, and next steps; (b) a draft final report outlining the proceedings, understandings reached, recommendations made to NBV and the Government, and next steps to be taken; and (c) a draft report suitable for publication.

3. The consultant must have (i) a degree in finance, banking, economics, or a related field; (ii) a minimum of 15 years experience at a senior level in finance institutions; (iii) extensive experience in the design and implementation of projects in financial services, agricultural lending, and microfinance, preferably in Asian/Pacific countries; and (iv) excellent communication and interpersonal skills and the ability to perform effectively in a cross-cultural context.