



Technical Assistance Consultant's Report

Project Number: 33357
February 2010

Lao People's Democratic Republic: Institutional Strengthening for Rural Finance (Financed by the Technical Assistance Special Fund)

Prepared by:

Coffey International Development, United Kingdom

For:

Bank of Lao PDR
Lao People's Democratic Republic

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.

Asian Development Bank



FINAL REPORT ©

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening for Rural Finance

Contract COCS/70-123

July 2009

FINAL REPORT ©

Asian Development Bank

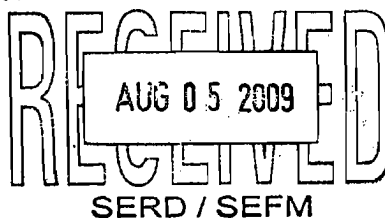
Lao PDR

TA 4827-LAO Institutional Strengthening for Rural Finance

Contract COCS/70-123

July 2009

ASIAN DEVELOPMENT BANK



Coffey International Development Ltd

The Malthouse 1 Northfield Road Reading Berkshire RG1 8AH United Kingdom

T (+44) (0) 1189 566 066 F (+44) (0) 1189 576 066

www.coffey.com

Registered Office: 1 Northfield Road Reading Berkshire RG1 8AH United Kingdom

Registered in England No: 3799145 VAT No: GB 724 5309 45

CONTENTS

1	INTRODUCTION	1
	BACKGROUND TO THE TECHNICAL ASSISTANCE (TA)	1
	Government Policy	1
	ADB Support to Government Policy and the TA Context	1
	The Program Loan	2
	The Project Loan	2
	TA for MFI Development	2
	TA for APB's ICT/MIS Upgrading	2
	TA for Institutional Strengthening of Rural Finance	2
	ACTIVITIES OF THE TA	3
	IMPLEMENTATION ARRANGEMENTS	3
	REPORTING REQUIREMENTS	4
	STRUCTURE OF THIS REPORT	4
2	ACTIVITIES AND OUTPUTS	5
	Inception	5
	Support for Rural Financial Reform	5
	Support to Rural Finance Reform - Work Planning and Monitoring for RFSDP	5
	Support to Rural Finance Reform - Integration of Rural Finance Strategy	6
	Support to Rural Finance Reform - MF Sector Stakeholder Consultations	6
	Support to Rural Finance Reform – Additional Assistance to BOL	6
	Support to Rural Finance Reform - On Budget Lending Guideline Development	7
	Support to Rural Finance Reform – Governance Workshops	7
	Support for APB Portfolio Workout Completion	7
	APB Portfolio Workout Completion - Interest Rate Subsidy Phase Out	7
	Policy Lending Transfer	7
	Continued Policy Lending by APB	8

	Commercial Sector Interest Rates	9
	APB Portfolio Workout Completion - Workout Completion, Default Management and Improvements to Portfolio Review	10
	Stop on Credit	10
	Improvements to Credit Policies and Procedures	11
	Improvements to Portfolio Review	11
	Completion of the Workout	12
	Delegated Authorities and Transaction Review	17
	Support for APB Corporate Planning Institutionalisation	17
	Updating and Enhancing Corporate Planning	17
	Setting Annual Recapitalisation Targets	18
	On-the Job Training and Data Migration Support	18
	Support for Human Resources Improvement	19
	Organisational Transition	19
	Performance Standard Development and Introduction of Performance Assessment	19
	Bonus Scheme	21
	Training Planning	22
3	OUTCOMES, ISSUES, SUSTAINABILITY AND DELIVERABLES SUBMITTED	23
	The Governance Agreement	23
	Principal Outcomes	23
	Issues	23
	Sustainability	25
	APB Performance	25
	Principal Outcomes	25
	Issues	26
	Sustainability	26
	Microfinance Sector and Regulation Development	27
	Principal Outcomes	27

Issues	28
Sustainability	28
Main Deliverables submitted under the TA	29
Support for Rural Financial Reform	29
Support for APB Portfolio Workout Completion	29
Support for APB Corporate Planning Institutionalisation	29
Support for Human Resources Improvement	29

TABLES IN THE TEXT

2.1	APB Loan Amounts Transferred to Nayoby Bank	8
2.2	ABP Increases in Policy Lending in the “Flow” Portfolio, June to November 2008	9
2.3	APB Lending Rates 20 December 2007 to 1 March 2009	9
2.4	APB Lending Rates from 2 March 2009	9
2.5	APB NPL Status by Branch at 31 July 2007	10
2.6	APB Non-performing Loans (NPLs) by Stock and Flow at 30 September 2007	12
2.7	APB Non-performing Loans (NPLs) by Commercial and Policy Loan Portfolio Segments at 30 September 2007	12

FIGURES IN THE TEXT

2.1	APB Commercial Loans and Policy Loans as a Percentage of Total Portfolio	13
2.2	APB Total Portfolio Composition by Amount	13
2.3	APB Commercial Loan Portfolio Performance	14
2.4	APB Policy Loan Portfolio Performance	14
2.5	APB Stock Loan Portfolio Performance	15
2.6	APB Flow Loan Portfolio	15
2.7	Concentration of NPLs in APB as Percentage of Total NPLs	16
2.8	Branch Concentration of the Amount of NPLs by Value	17
2.9	APB Performance Assessment Scores by Staff Level at End 2008	20
2.10	APB Performance Assessment Scores by Branch at End 2008	21

APPENDIX A	TERMS OF REFERENCE	31
APPENDIX B	STATUS OF COMPLIANCE WITH	34
PART ONE	RFSDP 3RD TRANCHE RELEASE	
	CONDITIONS	
APPENDIX B	STATUS OF COMPLIANCE WITH	39
PART TWO	THE GOVERNANCE AGREEMENT	
	BY THE PARTIES TO THE	
	AGREEMENT	
APPENDIX C	APPOINTMENT OF COUNTERPART	101
	STAFF AND COMMITTEES	
APPENDIX D	WORKSHOP PARTICIPANTS AND	109
	TIMETABLES	
APPENDIX E	UPDATED ACTION PLAN FOR	152
	IMPLEMENTATION OF THE REFORM	
	PROGRAM FOR THE RURAL AND	
	MICRO FINANCE SECTOR IN LAO	
	PDR	
APPENDIX F	APB PERFORMANCE AGAINST	157
	TARGETS	
APPENDIX G	STATUS OF MFI REGISTRATION AT	169
	30 JUNE 2009	

1 INTRODUCTION

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

1 INTRODUCTION

BACKGROUND TO THE TECHNICAL ASSISTANCE (TA)

Government Policy

1 TA 4827-LAO was set in the context of the disparities between recognised financial sector best practices and the prevailing situation in the Lao PDR rural financial sector. In November 2003 the Prime Minister's Office (PMO) approved a National Policy Statement for the Development of a Sustainable Rural and Microfinance Sector, prepared by the Rural and Microfinance Committee (RMFC) of the Bank of Lao PDR (BOL). The Government's Policy Statement asserts that sustainable rural and micro finance can be effective tools for poverty reduction to help Lao PDR to emerge from LDC status by 2020.

2 The Government's reform programme in rural and micro finance is intended to enable the sector to expand significantly, with diversity, security and future sustainability. The rural and micro finance reform programme is intended to be a major contribution to the implementation of the National Socio-Economic Development Plan.

3 The National Policy Statement has four major, inter-related themes: expansion, diversity of ownership, sustainability and security, and outlines some important underlying principles for the development of the sector. These envisage the following:

- Expansion
 - The rural and micro finance sector will expand significantly to increase outreach to a greater number of poor in Lao PDR. This calls for an enabling environment to allow the emergence of new rural and micro finance institutions and the expansion by existing MFIs. This expansion will take time and require experimenting with different methodologies. The aim is for rural and micro finance services to reach a much larger number of people.
- Diversity of Ownership
 - The sector will include a diversity of independent MFIs. Prior to the formulation of the National Policy Statement, most of the rural and microfinance programmes operated under public authorities. The reform programme will enable different models of MFIs to emerge, such as private companies, credit unions, cooperatives, private and/or public specialised banks. This will include a diversity of legal ownership, including private and/or public ownership and autonomy of management. National laws and legal instruments will support the development of the sector.
- Sustainability
 - The sector will gradually become sustainable. Sustainability is recognised as essential to: ensure longevity of the sector; ensure integrity of the financial system; ensure large outreach; ensure independence from the national budget; and reduce reliance on subsidies from the Government or donors.
- Security
 - The environment will ensure security for depositors. To protect depositors, MFIs that mobilise voluntary saving from the general public will be required to comply with prudential regulations. An appropriate legal and regulatory framework will be designed and implemented. Supervision of MFIs, especially large deposit taking MFIs, will be strengthened in order to ensure depositors' protection.

ADB Support to Government Policy and the TA in Context

4 To support the implementation of the Government's policy, ADB funded the Rural Finance Sector Development Program (RFSDP). This comprised a program loan, a project loan and three supporting technical assistance initiatives, including TA 4827-LAO.

5 It is important to understand the wider context of the TA 4827-LAO, and so the components of RFSDP are summarised here.

The Program Loan

6 Specifically, the program loan has promoted the development of a sustainable and market-oriented rural and microfinance sector by helping the Government implement the policy reforms embodied in its strategy for the sector.

7 The program loan (Loan 2252) for \$7.684 million was linked to four areas of policy action for the Government:

- creating an enabling policy framework for public and private provision of rural and microfinance;
- creating a sound prudential regulatory and supervisory environment for public and private rural and microfinance institutions;
- transforming APB into a financially self-sustainable, market-oriented rural finance institution; and
- creating a supportive non-prudential regulatory environment for rural and microfinance.

8 At the conclusion of TA 4827-LAO the first two tranches of the program loan have been released. The third tranche is scheduled for March 2010. Tranches are released subject to the Government fulfilling the policy actions of the program. The Executing Agency is BOL.

The Project Loan

9 The project loan (Loan 2253) aims to strengthen BOL's supervision capacity and support APB's restructuring plan. Its components are:

- a TA to build BOL's MFI supervision capacity for about \$0.28 million, financed by FIRST;
- elements of capacity building under APB's restructuring plan for about \$1.2 million focused on risk management, accounting and ICT; and
- upgrading APB's ICT system with funding of about \$1.1 million.

10 The project loan is being implemented over 2006 – 2010. APB is the Executing Agency.

TA for MFI Development

11 The TA (JFPR 9095) aims to support the development of a diverse and competitive sector of private, sustainable MFIs operating on best-practice principles and serving the poor. The components are:

- establishing a Microfinance Fund under BOL (\$800,000) to provide matching grants for seed capital, equipment, and capacity building in new, young, and promising MFIs;
- promoting microfinance best practices through workshops and training for MFI practitioners and Government officials; and
- preparing a plan to create a nation-wide MFI.

12 The TA is being implemented between 2007 and 2009. BOL is the Executing Agency.

TA for APB's ICT/MIS Upgrading (JFICT 9096) (\$472,000)

13 TA (JFICT 9096) for about \$472,000 is providing technical support to implementing the upgrade of APB's ICT that is being funded under Loan 2253. It will provide ICT/MIS training and capacity building for APB staff in parallel with the procurement, installation and handover of the upgrade. APB is the executing agency.

TA for Institutional Strengthening for Rural Finance

14 This TA (4827-LAO) for about \$700,000 has aimed to support the implementation of the policy reform agenda (of Loan 2252). Its components were:

- assisting BOL with the ongoing development of enabling policies and a strategy for rural and microfinance development; and
- assisting with the restructuring of APB to restore it to financial health, operating on a commercial and autonomous basis with extended outreach.

15 The TA has been implemented between 2007 and July 2009. BOL and APB were both Executing Agencies for their respective parts of the TA.

ACTIVITIES OF THE TA

16 The TA has had four main task areas¹:

- support for rural financial reform involving assistance with:
 - work planning with BOL to ensure that actions needed to be compliant with the terms of the ADB RFSPL are taken on time, and to monitor progress;
 - the integration of the rural finance strategy into the wider strategy for financial sector development;
 - establishing and making operation a microfinance sector stakeholder consultation mechanism; and
 - the development and operationalisation of on-budget lending guidelines.
- support for APB portfolio workout completion involving assistance with:
 - the phase out of subsidised interest rates;
 - the completion of the ongoing portfolio workout;
 - the introduction of improvements to default management; and
 - improvements to portfolio review.
- support for APB corporate planning institutionalisation involving assistance with:
 - updating and enhancing corporate planning;
 - setting annual recapitalisation targets; and
 - on-the-job training and data migration support.
- support for APB human resources practices improvement involving assistance with:
 - organisational transition and training planning;
 - performance standard development;
 - the introduction of performance assessment;
 - the introduction of a bonus scheme; and
 - revisions to employment contracts.

17 BOL was the executing agency for the first of these task areas. APB was the executing agency for the other three task areas.

18 These tasks have been carried out by four international consultants: a Team Leader/Financial Sector Reform Specialist (5 months); a Bank Restructuring Specialist (3 months); a Corporate Planning Specialist (3 months) and a Human Resources Specialist (5 months).

IMPLEMENTATION ARRANGEMENTS

19 In accordance with the agreements reached in contract negotiations, BOL appointed a Project Director and three part-time counterpart staff to work with the consultants on tasks related to BOL.

¹ See Appendix A for the detailed terms of reference for consultants.

20 Similarly, APB appointed a Project Director and three part-time counterpart staff to work with the consultants on tasks related to APB. APB also provided the consultants with furnished office accommodation and communications.

REPORTING REQUIREMENTS

21 The consultants were required to prepare:

- an Inception Report, submitted in August 2007;
- a 1st Quarterly Report at 30 September 2007;
- a Mid-term Report by 31 December 2007;
- a 2nd Quarterly Progress Report by 31 March 2008;
- a 3rd Quarterly Progress Report by 30 June 2008;
- a 4th Quarterly Progress Report by 30 September 2008;
- a 5th Quarterly Progress Report by 31 September 2008;
- a 6th Quarterly Progress Report by 31 March 2009;
- a Draft Final Report by 30 June 2009; and
- a Final Report within two weeks of receipt of comments from ADB, BOL and APB on the Draft Final Report.

STRUCTURE OF THIS REPORT

22 The following sections of this report are:

ACTIVITIES AND OUTPUTS

that describes the work undertaken by BOL, APB and the Consultants to date; and

OUTCOMES, ISSUES, SUSTAINABILITY AND DELIVERABLES

that summarises the results of the TA, makes recommendations for future sustainability and lists the main deliverables submitted

2 ACTIVITIES AND OUTPUTS

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

2 ACTIVITIES AND OUTPUTS

Inception

23 The Inception Phase of the TA ran from 9 July to 22 August 2007. It involved key BOL and APB staff, the ADB Project Officer and the Team Leader/Financial Sector Reform Specialist. During this period BOL and APB appointed counterpart staff¹, the project office in APB was established and office equipment was procured. Introductory meetings were held with the management of BOL, APB, Nayoby Bank² and ADB project staff.

24 A rapid review of compliance achieved and progress towards compliance for each of the policy actions to be undertaken by the Government under RFSDP in order to secure program loan tranche release (including compliance with the conditions of a Governance Agreement (GA) for APB signed between BOL, the Ministry of Finance (MOF) and the APB Board and management) was carried out to assess the starting point for each of the TA activities.

25 The findings were presented in the Inception Report together with detailed work plans for project implementation. An Inception Meeting was held with ADB, BOL and APB on 16 July 2007. The Inception Report was presented, and reviewed, and the work plans for BOL, APB and the consultants were agreed.

Support for Rural Financial Reform

Support to Rural Finance Reform - Work Planning and Monitoring for RFSDP

26 During Q4 2007 a more detailed forward work plan was drawn up of the main actions needed for BOL, MOF and APB to be compliant with the tranche release conditions. This planning exercise was undertaken at quarterly intervals throughout 2008 and in March 2009, rescheduling activities as necessary.

27 To enhance awareness and understanding of RFSDP and in particular the GA requirements, a GA Awareness Workshop was held for 17 APB senior staff on 5 December 2007³. An additional seminar on the GA was held with APB senior management on 14 December 2007 to reinforce understanding of necessary actions.

28 From Q1 2008, at ADB's request, regular detailed review of compliance with RFSDP second tranche release conditions was undertaken. This included a detailed analysis of all of the subsidiary conditions in the GA, a report on progress with each condition to date and a list of actions needed. This more detailed update was also carried out at quarterly intervals throughout 2008 and in March 2009. Throughout the course of the TA these reviews served to measure progress and highlight areas where actions were needed by all parties in order to secure tranche release.

29 The analysis also provided a basis for regular progress review with ADB review missions. Assistance was provided to ADB missions between 19 and 27 November 2007; 3 and 11 March 2008; 26 May to 3 June 2008; 19 to 23 January 2009 and 8 to 15 July 2009. Each of these missions assessed compliance status, discussed actions with the Government on each policy condition⁴, and also assessed the progress of the TA.

30 During Q4 2008, MOF, BOL and APB achieved second tranche release compliance satisfactory to ADB. MOF provided the required recapitalisation bonds under the RFSDP conditions, and ADB released the second tranche of the program loan on 24 September 2008⁵.

31 The final compliance review under the TA is provided in Appendix B.

¹ See Appendix C for appointments of BOL and APB staff under the TA and GA.

² Nayoby Bank is the Government's on-budget mechanism for policy lending.

³ See Appendix D for details.

⁴ See Appendix B for the status of compliance with tranche release and GA conditions.

⁵ One tranche condition concerning the integration of the rural finance strategy into the strategy for financial sector development was deferred to the third tranche at the request of the Government.

Support to Rural Finance Reform - Integration of Rural Finance Strategy

32 A review of the Rural and Microfinance Committee's 2003 Policy and Action Plan was undertaken during Q4 2007. The action plan was found to be outdated with most actions completed. Accordingly, a new forward-looking action plan was drafted, centred on the core activities of the RFSDP⁶. This was approved by BOL, APB and ADB.

33 In addition, because of elapsed time, it was found that the RMFC, which was responsible for earlier action plan implementation, had ceased to function. The alternatives of reconstituting the RMFC and using the Project Steering Committee (PSC) for RFSDP were considered by BOL and APB. Given the close relationship between the updated action plan and the activities under RFSDP, it was decided to expand the mandate of PSC to include responsibility for action plan implementation.

34 BOL proceeded with a draft of the financial sector strategy, but in Q1 2008 it became apparent the strategy needed broadening to cover the non-bank sector. BOL updated the strategy in Q2 2008 and, after review by TA consultants and ADB, incorporated further detail on rural and microfinance in a third draft in Q3 2008.

35 The strategy underwent further refinement in Q4 2008 and was submitted to the PMO for approval on 23 February 2009. The strategy needs to be presented to the Government for approval. The likely approval date is not known.

Support to Rural Finance Reform - MF Sector Stakeholder Consultations

36 Under the RFSDP TA to build BOL's MFI supervision capacity financed by FIRST, new harmonised regulations for Deposit-Taking MFIs (DTMFIs), Non-Deposit-Taking MFIs (NDTMFIs) and Savings and Credit Unions (SCUs) were formulated. These were discussed with MF stakeholders in a consultation workshop in July 2007, prior to the start of TA-4827 LAO. Feedback from the consultation led to amendments to the regulations.

37 During Q4 2007, at the consultant's request, FIRST agreed to fund two final stakeholder consultation workshops for the final review of new regulations for NDTMFIs (1st workshop), DTMFIs and SCUs (2nd workshop). The workshops took place on 17 October and 28 November 2007 respectively. Both workshops were chaired by the Deputy Governor of BOL. Each was attended by about 40 participants including representatives from BOL, concerned ministries, mass organisations, INGOs, donors and other interested parties⁷. Assistance was given to BOL with minor changes to the regulations taking into account the feedback in these workshops.

38 The appointment in BOL of a new head of banking supervision in Q1 2008 led to a requirement to further modify the regulations before they were issued. The regulations were finalised by BOL in Q2 2008, and assistance was given to BOL with the drafting of implementation guidelines on application for licenses or registration, the chart of accounts and reporting requirements for MFIs and SCUs. On 30 June 2008, BOL conducted a workshop for 70 participants⁸ to present the final regulations and the implementing guidelines. Following six months of implementation, a further workshop to obtain feedback on the initial operation of the regulations was held on 19 January 2009. Again there were about 70 participants from stakeholder groups⁹. A final workshop was held on 24 July 2009.

Support to Rural Finance Reform – Additional Assistance to BOL

39 After discussions with BOL and ADB an additional national consultant was appointed in Q2 2008 to assist with MF supervision. From Q2 to the end of Q4 2008 the consultant assisted BOL with the on-site and off-site supervision and preparation of examiners reports of MFIs and SCUs, including the on-site inspection of four SCUs/MFIs; on-the-job training for BOL MFI supervision staff in accounting and the COA for MFIs; training MFIs and SCUs in accounting matters; advising new MFIs

⁶ See Appendix E for details.

⁷ See Appendix D for details.

⁸ See Appendix D for details.

⁹ See Appendix D for details

and SCUs on the licensing and reporting procedures under the new MFI regulations; and in processing new applications for licences and registration. Good progress is now being made with registration and licensing. At the end of June 2009 there were 5 DTMFIs, 7 NDTMFIs and 11 SCUs that had accomplished the licensing/registration process with BOL. Three further NDTMFIs registrations were in process¹⁰.

Support to Rural Finance Reform - On Budget Lending Guideline Development

40 In Q4 2007 Nayoby Bank provided details of its credit policies and procedures to the extent that these existed (the bank being new and policies and procedures still being in formulation). The consultants reviewed the information provided and drafted a framework for future Nayoby Bank credit procedures.

41 Nayoby Bank management reviewed the framework, and decided the approval of the Nayoby Bank board of directors was required for them to engage with the TA. This new requirement was discussed between BOL and the consultants, and it was agreed to defer any further work with Nayoby Bank until management had obtained the board of director's approval. The matter was scheduled to come before the October board meeting of the bank. However, the meeting was delayed until November 2007, and the consultants were advised that this matter was not placed on the board agenda. Accordingly, this component of the work was further delayed.

42 The matter of TA engagement with Nayoby Bank was not progressed in Q1 2008 pending decisions by BOL and ADB on the exact requirements of the TA. In Q2 2008 it was agreed with ADB and BOL that no further engagement with Nayoby Bank was required under the TA.

Support to Rural Finance Reform – Governance Workshops

43 A specific condition of the RFSDP was that all APB Directors attended corporate governance training. A Governance Workshop was held on 13/14 September 2007. The workshop focused on the appropriate size and function of the APB Board and APB Board Committees and on the functions and organisation of best practice internal audit¹¹. The workshop was attended by the Deputy Chairman of the APB Board of Directors, the Managing Director and one of APB's two Deputy Directors. The remaining two Board members of APB and the second Deputy Director of APB were not able to attend.

44 Because of this and because the APB Board was changed in November 2007, with three new Directors being appointed from outside and four new directors being appointed from amongst APB's employees, a second governance workshop was scheduled for 14 December 2007. However, it transpired immediately before the workshop that not all of the APB directors would be able to attend, and accordingly the workshop was deferred.

45 At the request of APB the date for the re-run of the Governance Workshop was set for 10 March 2008. The workshop was delivered on schedule, but again two of the three external non-executive directors were unable to attend. It was agreed with ADB and BOL that the workshop would not be run a third time, but that the TA would provide one-to-one training for the two directors concerned during the next mission of the Team Leader.

46 In Q2 2008 one-to-one governance training was delivered for the two remaining directors of APB who had been unable to attend previous training sessions.

Support for APB Portfolio Workout Completion

APB Portfolio Workout Completion - Interest Rate Subsidy Phase Out

Policy Lending Transfer

47 APB has largely phased out subsidised interest rates. In Q4 2007, APB reported that no new loans were being made at subsidised rates and that domestically funded subsidised lending had been

¹⁰ See Appendix G for details

¹¹ See Appendix D for details

transferred to Nayoby Bank Q1 2007. Residual outstanding loans associated with credit lines from international funding agencies that were not transferred to Nayoby Bank will continue to run to term at the rates specified in APB's loan agreements with the funding agencies. Some of these legacy loan agreements specify subsidised rates.

48 The value of loans transferred to Nayoby Bank in Q1 2007 is shown in Table 2.1.

Table 2.1 APB Loan Amounts Transferred to Nayoby Bank

No	Branch	Total Loans Transferred (Kip)
1	Vientiane Capital Branch	6,631,989,720
2	Savannakhet Branch	4,507,247,762
3	Luang Prabang Branch	1,890,508,250
4	Vientiane Province Branch	2,544,594,000
5	Bokeo Branch	818,806,600
6	Xiengkhouang Branch	922,283,000
7	Bolikhamxay Branch	1,576,021,678
8	Sayabuly Branch	1,045,079,650
9	Salavan Branch	1,727,423,415
10	Khammouan Branch	525,030,000
11	Oudomsay Branch	1,295,760,800
12	Sekong Branch	2,225,248,780
13	Saysomboun Branch	1,098,441,800
14	Attapeu Branch	1,333,923,932
15	Houaphan Branch	463,303,500
16	Luangnamtha Branch	2,537,754,450
17	Phongsaly Branch	647,802,700
18	Champasak Branch	19,049,775,251
	Total	50,840,995,288

Source: APB

Continued Policy Lending by APB

49 Although the transfer to Nayoby Bank substantially removed subsidised lending from APB, during Q4 2007 APB reported that it was making loans to applicants referred by the Ministry of Commerce, who if successful become eligible for an interest rebate from the Ministry of Commerce. Although APB carries out the credit appraisal and charges a market rate of interest, this mechanism is still subsidised lending conducted by APB.

50 It also became apparent in December 2008 that APB had recommenced policy lending on the instructions of BOL in August 2008. APB recorded these loans as commercial loans in its portfolio reporting between August and November 2008, and did not issue the notification of this under Clause 5.1.1 (v) of the GA that requires APB to:

"report simultaneously to the Vice Minister of Finance, the Deputy Governor of BOL, and the Director of BFSD any verbal or written communication from SOEs, line ministries, central government and provincial authorities, or any person formally or informally associates with these entities, which direct or request preferential or directed credit, or other non-commercial activities"

51 The portfolio reports were subsequently restated at the request of the consultants, but the recommencement of policy lending breached the GA, and specifically the policy lending phase out plan in Appendix F that required APB to cease policy lending by 31 December 2008. APB finally issued the notice under the GA in January 2009.

52 APB and BOL advanced the argument that the policy loans concerned were to flood-affected farmers in areas where there was no outreach by Nayoby Bank and that this was a "one-off" activity. The funds are reported to have been provided to APB by BOL at 3 percent per annum and to have been on-lent at a margin specified by BOL not to exceed 5 percent.

53 The build-up of this new "flow" policy lending (defined as any policy loans made after 31 December 2006) is shown in Table 2.2.

Table 2.2 ABP Increases in Policy Lending in the "Flow" Portfolio, June to November 2008

Month in 2008	Performing Loans		Non-Performing Loans		Total Loans		NPLs as a Percentage of the Portfolio	
	No of Loans	Amount (Kip)	No of Loans	Amount (Kip)	No of Loans	Amount (Kip)	By no of Loans	By Amount
Jun	99	10,879,600,000	3	3,051,311,500	102	13,930,911,500	2.94%	21.90%
Jul	95	5,547,300,000	4	3,115,207,500	99	8,662,507,500	4.04%	35.96%
Aug	148	10,679,300,000	2	3,024,000,000	150	13,703,300,000	1.33%	22.07%
Sep	268	18,296,700,000	4	3,056,000,000	272	21,352,700,000	1.47%	14.31%
Oct	625	29,756,063,164	4	3,056,000,000	629	32,812,063,164	0.64%	9.31%
Nov	636	32,576,300,000	4	3,056,000,000	640	35,632,300,000	0.63%	8.58%

Source: APB portfolio reports.

54 It was agreed Between BOL, APB and the ADB review mission in January 2009 that no further new policy lending would be taken on by APB to ensure improved compliance with RFSDP conditionality going forward.

Commercial Sector Interest Rates

55 Prior to 20 December 2007, APB lending rates were set according to sector. Specifically: agriculture 14-16 percent, processing and handicrafts 16-18 percent, construction 17-19 percent, trade and services 18-20 percent and overdraft facilities 22 percent. From 20 December 2007, APB moved to a system of interest rates set according to customer credit rating. These are illustrated in Table 2.3. This interest regime was prudent, in line with other state-owned banks and broadly in line with (but slightly lower than) rates in the private commercial banking market. No long-term credit was available.

Table 2.3 APB Lending Rates 20 December 2007 to 1 March 2009

Customer Rating	Kip			Baht			USD		
	Short	Medium	Long	Short	Medium	Long	Short	Medium	Long
A	12	13	-	7	8	-	7	8	-
B	13	14	-	8	9	-	8	9	-
C1	14	15	-	9	10	-	9	10	-
C2	15	16	-	10	11	-	10	11	-
OD	17			12			12		

Notes: C2 = New Customer. OD= Overdraft, Short-term < 1 year, Medium-term 1-3 years, Long-term > 3 years.

Source: APB

56 On 2 March 2009, APB revised its interest rates to those shown in Table 2.4.

Table 2.4 APB Lending Rates from 2 March 2009

Customer Rating	Kip			Baht			USD		
	Short	Medium	Long	Short	Medium	Long	Short	Medium	Long
A	12	13	14	7	7.5	8	7	7.5	8
B	13	14	15	7.5	8	8.5	7.5	8	8.5
C1	14	15	16	8	8.5	9	8	8.5	9
C2	-	-	-	-	-	-	-	-	-
OD	16			9			9		

Notes: C2 = New Customer. OD= Overdraft, Short-term < 1 year, Medium-term 1-3 years, Long-term > 3 years.

Source: APB

57 While these interest rates are not subsidised, this raised two concerns: the premium for new customers was dropped from the interest rate structures, and long-term credit was re-introduced. Combined with rapid expansion of credit by APB through 2008 and into 2009 (see below) these measures were not considered prudent by the consultants. Previous progress reports highlighted the consultant's view there was a significant risk that the combination of the expansion of credit and the reintroduction of long-term lending will lead to increased NPLs in the portfolio. Such increase became evident in early 2009.

APB Portfolio Workout Completion - Workout Completion, Default Management and Improvements to Portfolio Review

Stop on Credit

58 Under the terms of the GA, APB is required to stop lending other than to existing good customers (with no default) if the portfolio at risk (defined as NPLs under regulation BOL 06) within either or both of two sub-portfolios exceeds 15 percent. The two sub-portfolios are the "Stock Loans" portfolio of loans made up to 31 December 2006, and the "Flow Loans" portfolio of loans made on or after 1 January 2007.

59 Prior to TA 4827-LAO, APB had not put in place a reporting system that allowed the separation into "Stock Loans" and "Flow Loans" and was only able to report on the portfolio as a whole. The overall NPL status at the end of July 2007 (the first reporting period available) is shown in Table 2.5 by branch.

60 As can be seen, in July 2007 there was considerable variation in portfolio performance by branch. In the absence of "Stock Loan" and "Flow Loan" data, APB decided to cease lending in accordance with the GA condition on a branch by branch basis, pending the availability of complete data. A further variation initiated by APB was to allow branches where high NPLs were associated with residual policy loans (from international funding agencies) to continue lending if their commercial portfolios were within the 15 percent limit.

Table 2.5 APB NPL Status by Branch (Million Kip) at 31 July 2007

Branch/Sub-branch	Performing Loans	Sub-standard Loans	Doubtful Loans	Loss Loans	Total NPLs	PL+ NPLs	By Amount	Can Loan per GA (Y/N)
Vientiane Capital	55,994	7,083	7,036	56,633	70,752	126,746	56%	N
Savannakhet Province	18,138	488	293	4,936	5,717	23,855	24%	N
Luang Prabang Province	10,545	25	13	15	53	10,598	1%	Y
Vientiane Province	17,902	610	502	1,517	2,629	20,531	13%	Y
Bokeo Province	5,619	-	-	1,886	1,886	7,505	25%	N
Xiengkhouang Province	15,387	231	113	400	744	16,131	5%	Y
Bolikhamxay Province	8,839	190	146	4,806	5,142	13,981	37%	N
Sayabuly Province	11,110	93	21	22	136	11,246	1%	Y
Salavan Province	7,970	15	15	2,179	2,209	10,179	22%	N
Khammouan Province	13,038	31	4	1,377	1,412	14,450	10%	Y
Oudomxay Province	13,244	20	30	11	61	13,305	0%	Y
Sekong Province	4,010	70	30	443	543	4,553	12%	Y
Attapue Province	5,936	64	309	604	977	6,913	14%	Y
Houaphan Province	8,809	1,817	1,329	594	3,740	12,549	30%	N
Louang Namtha Province	10,396	190	23	12	225	10,621	2%	Y
Phongsaly Province	4,638	25	3	17	45	4,683	1%	Y
Champasack Province	14,104	294	147	5,123	5,564	19,668	28%	N
Total	225,679	11,246	10,014	80,575	101,835	327,514	31%	N

Source: APB

61 This stop on credit created an environment during 2008 in which to move forward with improved credit policies and procedures and the portfolio workout.

Improvements to Credit Policies and Procedures

62 In Q4 2007 an initial review of credit processes was carried out. Critical recommendations included the need for APB to:

- separate the credit function of the Vientiane Capital branch from the Head Office¹², and appoint a branch manager;
- define and carry through an action plan for the Workout Unit; and
- write-off loss graded loans.

63 APB subsequently implemented these recommendations. Vientiane Capital Branch was separated from the APB Head Office on 18 October 2007. APB established a Workout Unit in Q4 2007, and prepared and implemented an action plan to progressively address NPL recovery. APB wrote-off loss loans of Kip 16.85 billion (USD 1.94 million) at 31 December 2006, Kip 51.73 billion (USD 6.2 million) at 31 December 2007, and Kip 24.55 billion (USD 2.88 million) at 31 December 2008.

64 At the outset of the TA, training in credit fundamentals and loan management and recovery was carried out for about 30 APB credit staff on 4 October and 27 November 2007¹³. The credit fundamentals training covered: banking fundamentals, the GA, the risk management function, credit risk, credit policy, credit organisation, credit processes and procedures, credit inspection, loan classification and credit risk grading, loan accounting, risk-based loan pricing, and MIS. The loan management and recovery training covered: management of the credit portfolio at an operational level, the effects of bad debt on banks, good loan management, cash flow and loan structuring, loan supervision and monitoring, arrears management, and loan recovery.

65 In Q1 2008 a draft credit policies and procedures manual was prepared. This was reviewed by APB and subsequently approved and adopted by the APB Board in Q2 2008.

Improvements to Portfolio Review

66 To assist APB a summary portfolio reporting system was designed in Q4 2007. The system provides the basis for monitoring portfolio workout and allows compliance with the GA to be assessed. The system uses APB's established loan reporting system as a data source, but includes month on month comparisons of loan performance and month on month logging of NPL recovery action. Use of the system has helped APB to plan workout, supervise activity and during 2008 to become more proactive in the early management of default.

67 If maintained properly, this basic system will continue to afford insights into performance of different segments of the portfolio by:

- branch and sub-branch,
- policy/commercial lending, and
- stock and flow loans.

68 Once APB's new ICT system is operational further segmentation should be incorporated – allowing drill down by industry, subsector, loan size and so forth. This will afford APB the opportunity for the first time to begin to assess the absolute and relative risks in different segments and sub-segments of the portfolio. In turn, this will allow APB the opportunity to consider loan pricing in relation to risk.

¹² Vientiane Capital Branch was not being treated as a profit centre and was incurring substantial losses as a result of lax credit policies and procedures. At the outset of the TA, the Vientiane Capital Branch had NPLs of more than Kip 67 billion, accounting for 71 percent of its portfolio. This portfolio continued to be a drag on APB credit performance throughout the TA.

¹³ See Appendix D for details.

69 APB backdated its analysis to 30 September 2007. Table 2.6 shows the Stock and Flow condition of the portfolio at this date, and illustrates the poor performance of stock loans compared to flow loans.

Table 2.6 APB Non-performing Loans (NPLs) by Stock and Flow at 30 September 2007 (Million Kip)

Segment	Sub-standard	Doubtful	Loss	Total NPLs	PL+ NPLs	By no of Loans	By Amount	Below 15 % NPLs
Stock Loans	7,527	11,828	76,639	95,994	133,479	60%	72%	N
Flow Loans	1,118	130	3,000	4,248	209,170	<1%	2%	Y
Total	8,645	11,958	79,639	100,242	342,649	16%	29%	N

69 Table 2.7 summarises the results for the same period by commercial loans and policy loans.

Table 2.7 APB Non-performing Loans (NPLs) by Commercial and Policy Loan Portfolio Segments at 30 September 2007 (Million Kip)

Segment	Sub-standard	Doubtful	Loss	Total NPLs	PL+ NPLs	By no of Loans	By Amount	Below 15 % NPLs
Commercial Loans	5,499	9,097	32,182	46,779	281,101	11%	17%	N
Policy/Project Loans	3,145	2,861	47,457	53,463	61,548	87%	87%	N
Total	8,645	11,958	79,639	100,242	342,649	16%	29%	N

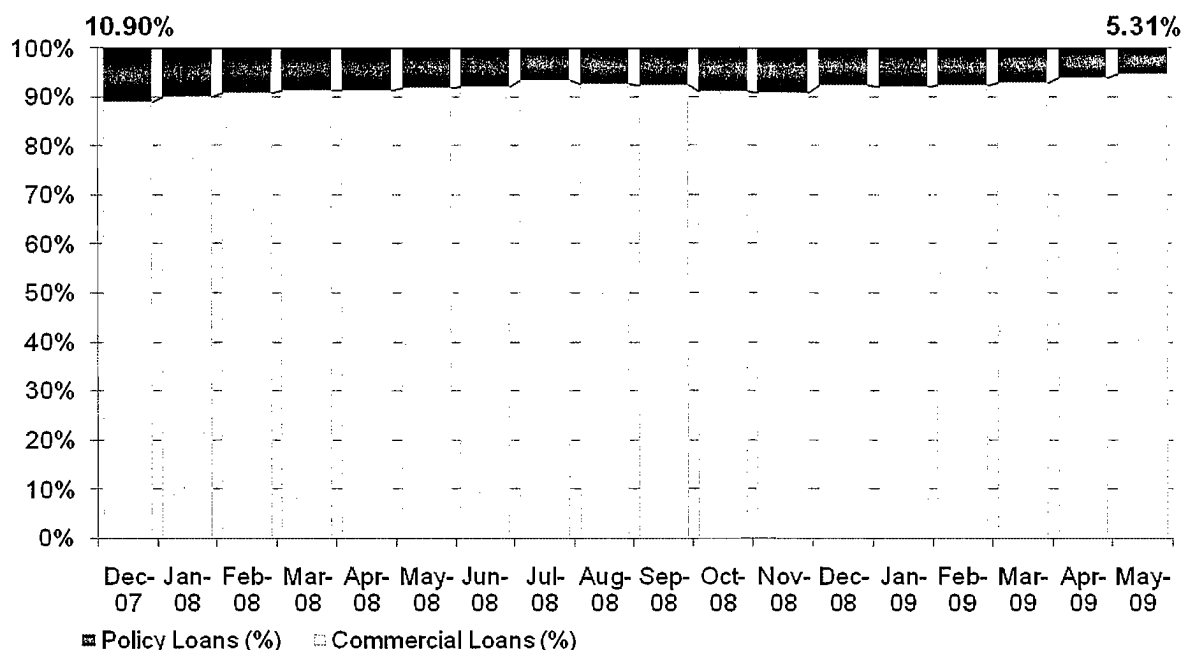
70 This initial analysis showed that overall the commercial portfolio was performing far better than the policy loan portfolio, but both portfolios on aggregate exceeded the 15 percent limit on NPL's specified in the GA as a condition for APB to continue lending to new customers.

71 At the end of December 2007, APB wrote-off all residual loss loans in the portfolio as of 31 December 2006. This "cleaned" portfolio provided the basis for the completion of the portfolio workout going forward.

Completion of the Workout

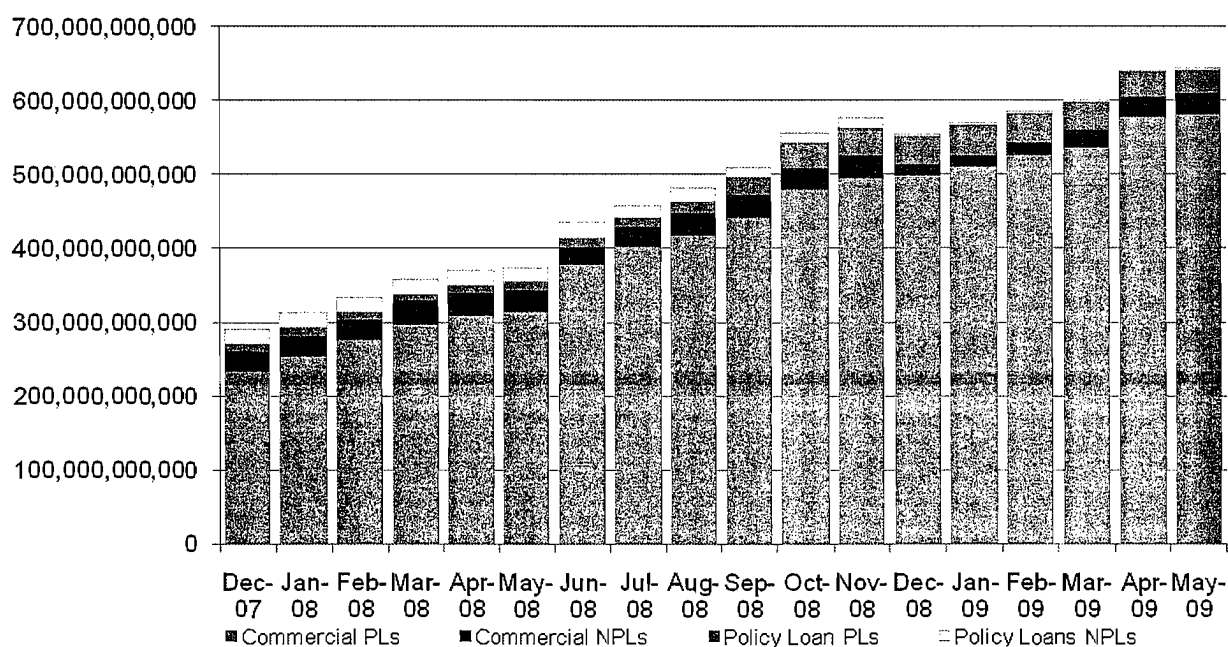
72 Figure 2.1 shows the commercial and policy loan proportions of the portfolio from 31 December 2007 to date. The figure shows that APB has reduced its policy lending from 10.9 percent of the portfolio at 31 December 2007 to 7.51 percent at 31 December 2009. A reduction to 6.39 percent of the portfolio was achieved in July 2008, prior to the new policy lending that started in August 2008. The proportion of policy loans subsequently increased through to November 2008, and then decreased again with a rapid expansion in commercial lending.

73 Figure 2.2 illustrates this and shows the total portfolio composition by amount. As can be seen from the figure, growth was mainly due to commercial lending, although the policy lending expansion from August through to December 2008 also contributed. The write off of in loss loans at 31 December 2008 in accordance with GA requirements is reflected in the reduction in portfolio size at the year end.

Figure 2.1 APB Commercial Loans and Policy Loans as a Percentage of Total Portfolio

Source: APB

74 Previous Progress Reports highlighted that Figure 2.2 meant that caution was required in assessing APB's performance. It was flagged that the rapid expansion in credit throughout 2008 was a potential cause for concern, and NPLs that may eventually be associated with this did yet show in the reporting.

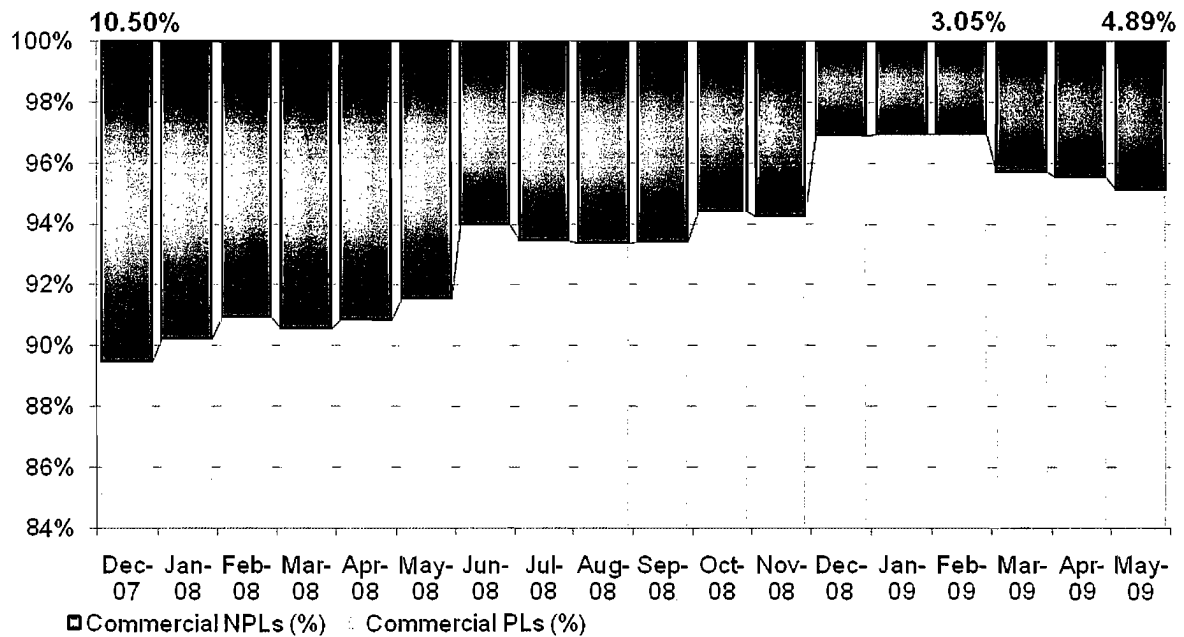
Figure 2.2 APB Total Portfolio Composition by Amount (Kip)

Source: APB

75 Figures 2.3 and 2.4 show exactly this in the performance of the commercial and policy loan portfolios respectively in terms of the proportion of NPLs in the total portfolios. In the commercial loan

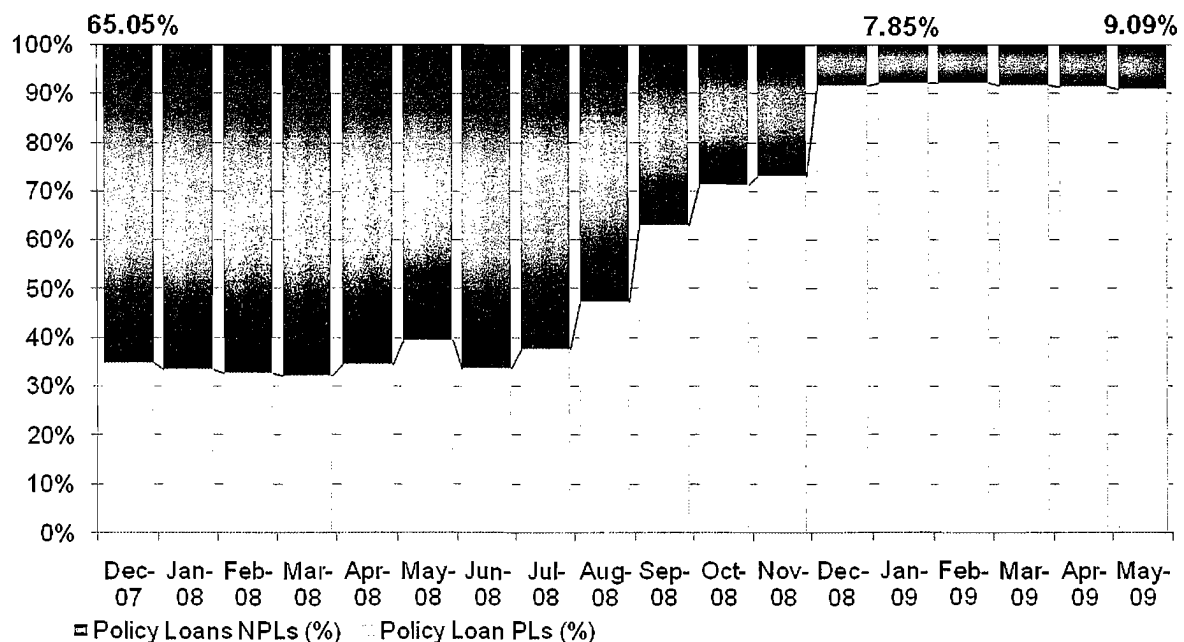
portfolio NPLs reduced from 10.5 percent at 31 December 2007 to 3.1 percent at 31 December 2008, but have subsequently begun to escalate rapidly. In the policy loan portfolio, NPLs reduced from 65.5 percent at 31 December 2007 to 7.85 percent at the end of December 2008, but are now also on the increase.

Figure 2.3 APB Commercial Loan Portfolio Performance



Source: APB

Figure 2.4 APB Policy Loan Portfolio Performance



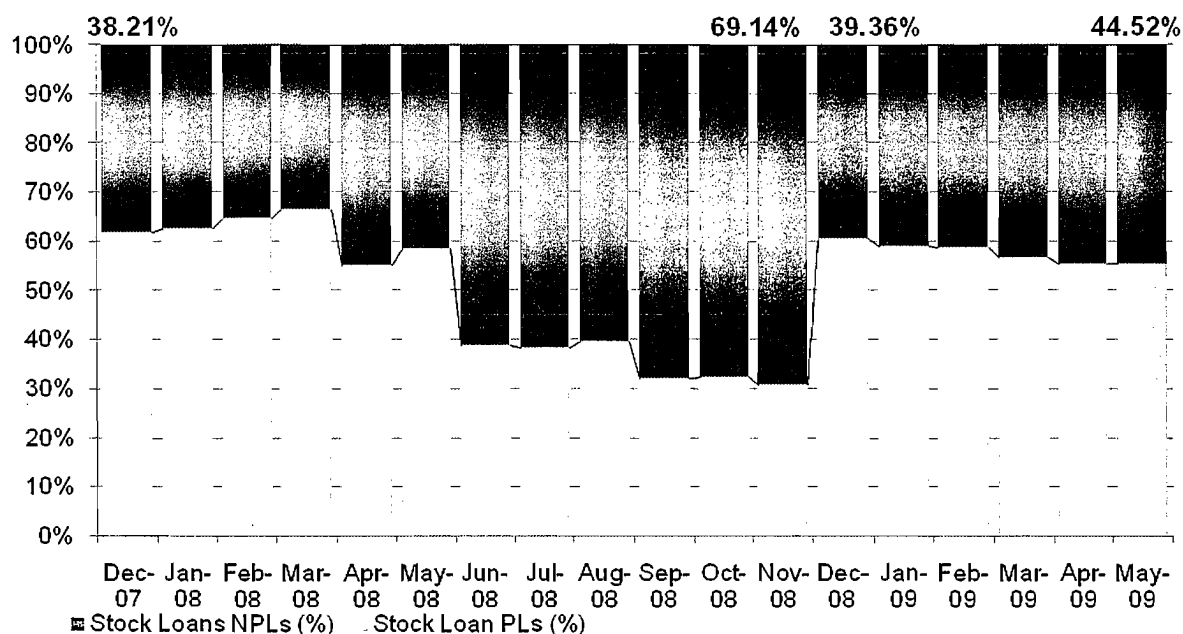
Source: APB

76 Figures 2.5 and 2.6 show the performance of the stock and flow loan portfolios respectively in terms of the proportion of NPLs in the total portfolios. In the stock loan portfolio NPLs did not change

significantly from 38.21 percent at 31 December 2007 to 39.36 percent at December 2008. NPLs in the stock loan portfolio deteriorated considerably in mid 2008 as a result of a significant number of poor commercial loans being made immediately prior to the effective date of the GA, which subsequently defaulted.

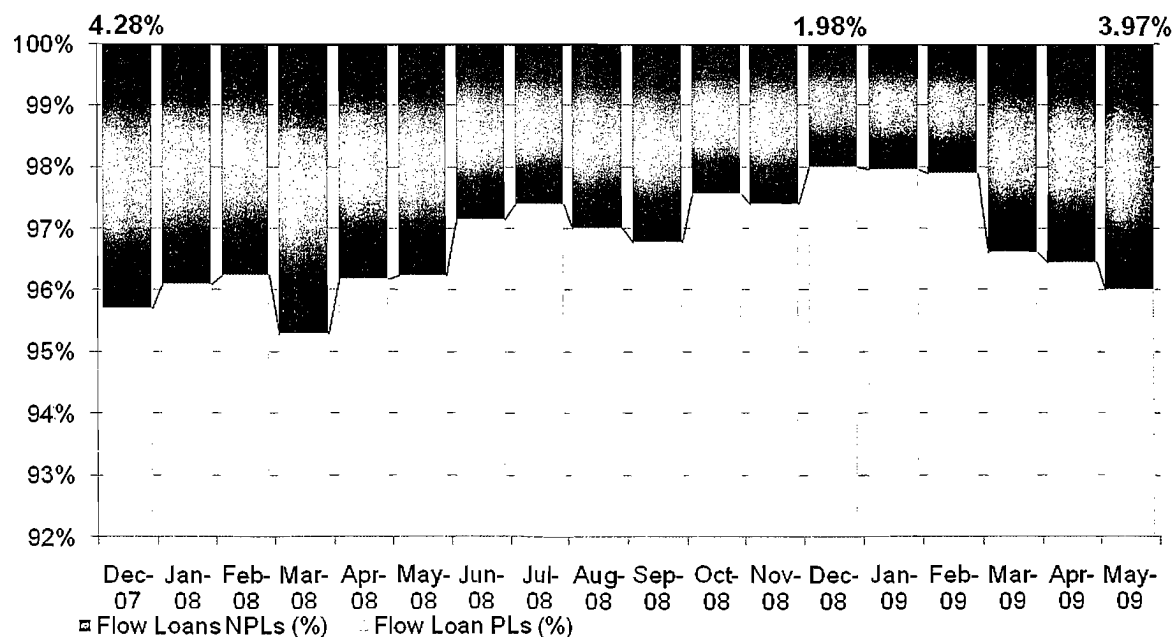
77 APB has made a concerted effort to recover these loans but deterioration is again apparent by through the first half of 2009. In the flow loan portfolio, NPLs reduced from 4.3 percent at 31 December 2007 to 1.98 percent at the end of December 2008, but credit expansion has again resulted in increases during 2009.

Figure 2.5 APB Stock Loan Portfolio Performance



Source: APB

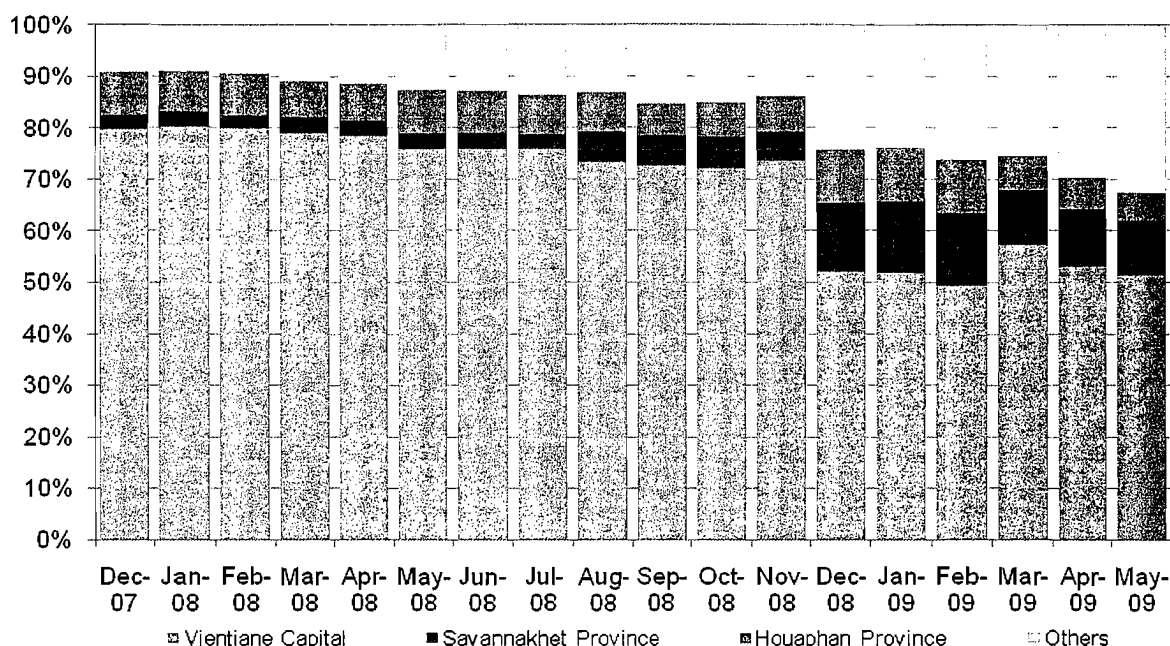
Figure 2.6 APB Flow Loan Portfolio



Source: APB

78 The analysis provided by the TA helped APB to focus its workout efforts through 2008. In addition to the primary focus on maintaining the flow loan commercial portfolio in good condition, the system has also highlighted the concentration of NPLs in particular branches. Figure 2.7 illustrates the concentration of NPLs by value in the three worst performing branches: Vientiane Capital, Houaphan and Savannakhet.

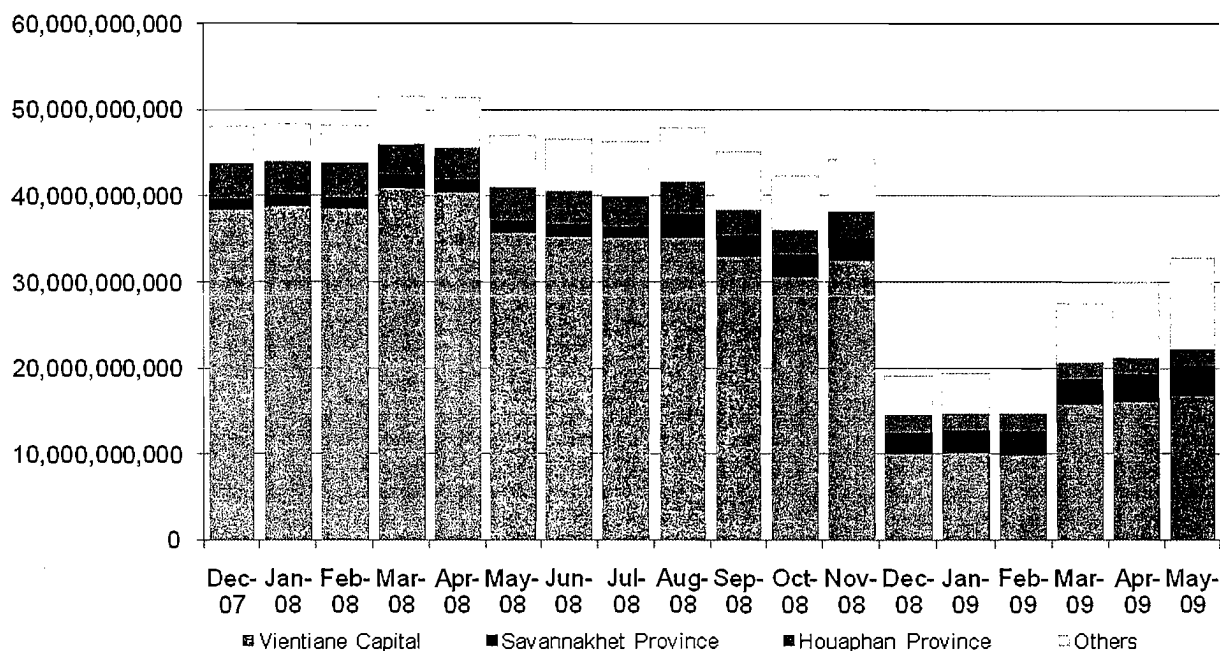
Figure 2.7 Concentration of NPLs in APB as Percentage of Total NPLs



Source: APB

79 The figure shows that APB made regular progress through 2008 with the reduction in the overall proportion of NPLs in Vientiane, but not in Houaphan and Savannakhet. After write-offs at 31 December 2008, these three branches continued to account for about 75 percent of NPLs by value, indicating that APB has to continue to give special attention to these branches through 2009.

80 Figure 2.8 presents the branch concentration of NPLs by total value. After a surge in March/April 2008 in Vientiane Capital as a result of earlier poor lending, APB made steady in-roads in debt collection. Less progress was made in Houaphan, and the NPL proportion of the portfolio in Savannakhet grew through the year. The substantial drop in NPLs in December 2008 is mainly due to write-offs of Kip 24.5 billion (USD 2.88 million). Although APB was advised that rapid credit expansion would lead to substantial increases in NPLs, APB pushed ahead with almost doubling the amount of credit available during 2008. The results are now evident in the portfolio with NPLs rising at about 9 percent per month between January and May 2009.

Figure 2.8 Branch Concentration of the Amount of NPLs by Value

Source: APB

Delegated Authorities and Transaction Review

81 In November 2007 APB put in place delegated branch manager credit approval authorities of KN 100 million for the four main branches of Vientiane Capital, Champasack, Savannakhet and Luang Prabang and KN 80 million for all other branches. These exceeded the delegated authorities specified in the GA. ADB and the parties to the GA modified the GA in October 2008 to take account of these limits.

82 In March 2009, APB again increased the delegated authorities to KN 300 million for the four main branches and to KN 200 million for the other branches. These limits have not been recorded in a revised GA.

83 In addition, there is a requirement in the GA for the IBA to review all transactions of more than KN 100 million. No reviews took place prior to the start-up of the IBA's inputs in September 2008, and it is understood that no reviews have taken place since that date.

84 Previous Progress Reports highlighted that the increase in delegated authorities, particularly to branches with high NPLs, combined with the lack of any review by the IBA of larger transactions threatened to undermine the improvements in portfolio performance that have been achieved under the TA. Regrettably, this has proven to be the case.

Support for APB Corporate Planning Institutionalisation**Updating and Enhancing Corporate Planning**

85 During Q4 2007 APB formed a corporate planning team, comprising the Managing Director, Deputy Managing Directors and all Heads of Department. With consultant assistance, the team prepared performance targets for 2007 and preliminary calculations for 2008 and 2009. It was agreed that these targets would be subject to more detailed review during the production of the corporate plan from November 2007 to January 2008.

86 Because of changes to APB management between 1 October – 31 December 2007, the corporate planning process had to be restarted. A new corporate planning team was appointed, comprising the new Deputy Directors of APB and the Heads of Divisions. This team attended a two-

day workshop on 6 and 7 December 2007. The workshop covered: the corporate planning process, the APB mission statement, the APB corporate objectives, SWOT analysis for APB, APB high level strategies, operational plans and budgets. Following the workshop, APB staff were assigned specific responsibilities for preparation of sections of the 2008-2010 Corporate Plan.

87 Following the preparation of draft projections in Q4 2007, APB did not take any immediate action to review and secure Board of Directors approval for the 2007 targets or to progress the 2008-2010 corporate plan. Eventually, in late December 2007, APB revised the targets again and the Board of Directors finally approved them on 25 December 2007. This was not sufficiently early for APB to obtain the approval of the other parties to the GA or for the GA to be modified accordingly before the end of the financial year to which the targets referred.

88 In Q1 2008, the APB corporate planning team restarted work on updating and enhancing the 2008-2010 Corporate Plan. The corporate planning team prepared a draft corporate plan for review by the TA. Following comments from the TA team, APB made minor adjustments to the plan.

89 The finalisation of the corporate plan was constrained by the lack of financial statements for 2007 prepared according to international financial reporting standards (IFRS). These were required for the updating of the analysis of APB's historical performance (from 2005-2007) and the financial projections in the 2008-2010 Corporate Plan.

90 There were delays with the 2007 external audit and it was only completed during Q2 of 2008. The audit figures were entered into the financial planning model and revised projections were prepared based on the 2007 actual year end figures. New 2008-2010 targets were also finalised. The revised corporate plan and targets were approved by the APB Board on 30 June 2008.

91 During Q3 2008, APB prepared a timetable for 2009-2011 Corporate Plan preparation and appointed a new corporate planning team. The team worked on the plan through Q4 2008 and Q1 2009. The draft plan was completed at the end of Q1 2009, but as in 2008 the absence of an external audit prevented the finalisation of the plan's financial projections based on 2008 IFRS financial statements until Q3 in 2009.

Setting Annual Recapitalisation Targets

92 The GA provided for a two stage recapitalisation of APB to bring its capital up to zero. The out-turn from the external audit showed APB had negative equity at the end of 2007 of Kip 175 billion requiring recapitalisation of Kip 87.5 billion under the GA. MOF injected this amount in through recapitalisation bonds on 30 July 2008. The bonds carried an 8 percent interest rate and a 5 year term. The recapitalisation amount for 2008 will be determined by the outcome of the 2008 external audit, scheduled for Q3 2009.

On-the Job Training and Data Migration Support

93 On-the-job training comprised the provision of assistance to members of the APB corporate planning teams with the preparation of the different strategic components, all aligned with the GA. In addition, a financial planning model was developed. The model projects APB's financial performance using the previous year's financial statements prepared and presented in accordance with IFRS, and assumptions relating future APB operations in lending, deposit and funding mobilisation, and operating costs. APB's existing IT systems were not able to generate the projections according to IFRS and in the absence of implementation of APB's new ICT system prior to the TA, the model was developed in Microsoft Excel and Visual Basic for Applications. Only a basic understanding of Excel is necessary to operate the model. A manual for the step-by-step use of the model was prepared and one-to-one training with operators was carried out in Q2 2008 and Q1 2009.

94 The TA envisaged the migration of financial planning data to APB's new ICT system funded under the project loan associated with RFSDP. However, delays in tendering, supplier selection and implementation of the new system resulted in the system not being available during the life of the TA. In addition, it appears that financial constraints resulted in there being no financial planning module included in the new APB ICT system. Accordingly, APB may need to continue to use the Excel-based model until such a time as a financial planning module is procured. It was agreed with ADB and APB

that the time freed-up as a result of there being no requirement to migrate data would be used for the further one-to-one training delivered in Q1 2009. The training was deemed necessary since APB changed the staff responsible for data entry and utilisation of the model during 2008.

Support for Human Resources Improvement

Organisational Transition

95 The terms of reference pre-supposed that APB had detailed organisational mandates and job descriptions in place. It was identified at the outset of the TA that APB had neither of these pre-requisites for implementation of the ToR, and accordingly it was agreed in advance of the TA that APB would prepare these.

96 APB made a start on formulating organisational mandates and job descriptions in Q4 2007, but the descriptions prepared did not provide the basis for performance assessment and it was clear there was significant further work to do to refine the task descriptions and to incorporate the competencies and skills required for effective job conduct. APB did not have the internal capacity to carry this out.

97 The existing APB performance assessment system also required significant work, as it lacked a foundation in measurable performance standards. While it offered a subjective analysis of the discharge of tasks assigned, it did not measure performance, skills, and competencies against any benchmarks. Development of performance standards was contingent on completion of the job descriptions.

98 To address the shortcomings, in Q1 2008 an additional national consultant was appointed to assist APB with preparation of organisational mandates and job descriptions. In Q2 the APB organisational structure was finalised, departmental mandates drafted and job descriptions for the majority of APB staff were prepared.

99 In practice during Q1 2008, APB's human resources policies and procedures were reviewed and a best framework was drawn up by APB with assistance from the consultants.

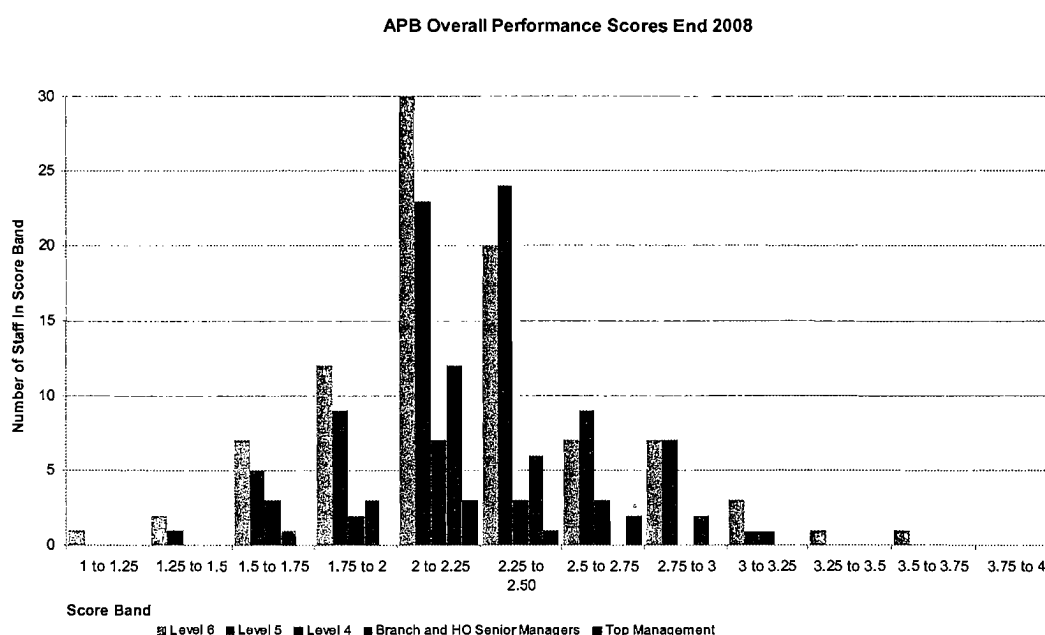
100 At the end of Q2 2008, the APB Board approved and adopted the new organisational structure, departmental mandates and job descriptions and the HR best practice policies. APB transitioned to new organisational structure in Q3 2008.

Performance Standard Development and Introduction of Performance Assessment

101 A simplified system of performance standards, based initially on job tasks, specific job skills, management skills and competencies was designed during Q1 2008. The system allows APB to follow a step-by-step process to assess performance, identify the gaps in qualifications, experience and skills required of its managers and, as a result, to identify training needs.

102 During Q2 2008, APB managers underwent training in the use of the performance assessment system, and bank-wide performance assessment was carried out. The process was repeated in Q4 2008 leading to recommendations on training needs.

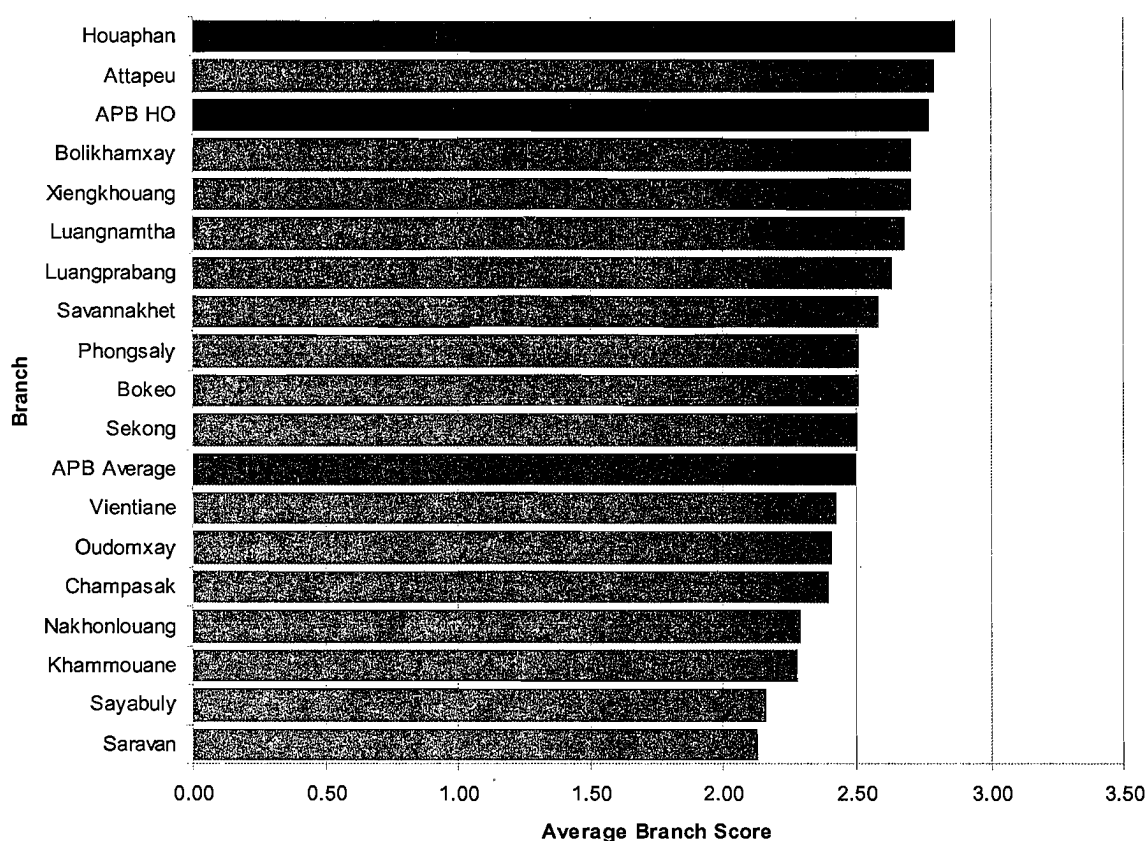
103 Assistance was provided to APB to create a model into which to enter and analyse the performance assessment data for all staff. Figure 2.9 shows the results of the Q4 performance assessment, banded by staff grade.

Figure 2.9 APB Performance Assessment Scores by Staff Level at End 2008

Note: Scores are banded from "1" – outstanding through to "4" unsatisfactory. The lower the score, the higher the performance. The expected mean score for any group of staff is 2.5.

104 Figure 2.10 shows the average scores (that set the APB mean at 2.5) by branch and head office compared with the overall average for APB as a whole.

105 Of concern in particular is Houaphan Branch, which has the worst average score in the whole of APB (and apart from Vientiane Branch which has the worst performing portfolio). Of greater concern is the average score of APB Head office staff, which is the third worst average in the whole institution.

Figure 2.10 APB Performance Assessment Scores by Staff Level at End 2008

Bonus Scheme

106 APB has developed a bonus scheme related to individual and team performance, based on best practice advice provided by the consultants.

107 Individual bonuses will be calculated by reference to the performance assessment system. Specifically:

- individuals in the top quartile of performance scores will receive an annual bonus of up to 100 percent of one month's basic salary;
- individuals in the second to top quartile of scores will receive an annual bonus of 80 percent of one month's basic salary;
- individuals in the second to bottom quartile of scores will receive an annual bonus of 60 percent of one month's basic salary; and.
- individuals the bottom quartile of performance assessment scores will not receive bonuses.

108 In practice, examination of the performance assessment scores for the whole of APB at the end of December 2008 shows that only individuals scoring 2.5 and less would have received the individual bonus. Individuals scoring 2 or less would have received the full bonus, individual scoring between 2.25 and 2 would have received the 80 percent bonus, and individuals scoring between 2.5 and 2.25 would have received the 60 percent bonus. This is consistent with awarding good performance, but APB will need to monitor the system closely. It is recommended that individuals scoring more than 2.25 do not qualify for individual bonus at any time, regardless of the quartile into which they fall.

109 The team bonus scheme is based on profit before tax. Specifically:

- achieving 100 percent or more of target profit for a branch (or in the case of Head Office for APB as a whole) will result in award of one month's basic salary for each member of the branch or head office staff;
- achieving between 85 and 99.9 percent of target profit will result in award of 80 percent of one month's basic salary; and
- achieving between 70 and 84.9 percent of target profit will result in award of 60 percent of one month's basic salary.

110 This system is potentially problematic because there may be insufficient profits to distribute the bonuses. It is recommended that APB reconsider this system and specifically:

- adjust the banding to be 105 percent or over = 100 percent of one month's basic salary;
- 95 to 104.9 percent = 80 percent of one month's basic salary; and
- 90 to 94.9 percent = 60 percent of one month's basic salary.

111 Going forward, APB will need to ensure that the targets are set so that if met there will be adequate profits to distribute.

112 In addition, APB should fund these bonuses from the provision of 10 percent of APB's profits that the Board of Directors is entitled to allocate, rather than making these bonuses additional to that amount, the allocation of which is not currently transparent. The system has to be conditional on the availability of profits, and accordingly it is recommended that any surplus within the 10 percent is placed in reserve for distribution of individual bonuses in years when profits are insufficient.

113 Once the bonus scheme is finalised, APB should revise all employment contracts to incorporate job descriptions and the entitlements under the scheme.

Training Planning

114 In Q1 2009, APB prepared a 2009 – 2010 training plan using the bank-wide performance assessment to identify training needs. The plan covered training in 28 job skill areas and six management skill areas. A model was developed to assist APB with the production of the detailed training plan. The training plan fed into the APB 2009-2011 Corporate Plan.

3 OUTCOMES, ISSUES, SUSTAINABILITY AND DELIVERABLES SUBMITTED

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

3 OUTCOMES, ISSUES, SUSTAINABILITY AND DELIVERABLES SUBMITTED

The Governance Agreement

Principal Outcomes

115 MOF has generally complied with all of the provisions of the GA: empowering APB to operate on a more commercial basis; agreeing to the write off of loss policy loans; allowing loan loss provisions to be set against income for tax purposes; and providing capital support in the form of recapitalisation bonds. These actions have helped to make APB's operations more transparent, and in combination with the external audits have evidenced the true financial position of APB and its actual historic costs to the government in terms of loan losses.

116 BOL supported and facilitated the write off of loss loans attributable to donor funded portfolios and APB's ordinary commercial operations. Such write offs are now normalised and take place each quarter. This is a significant step in making APB's financial position transparent. BOL also supported and facilitated the transfer of domestically-funded policy loans to Nayoby Bank. The loss loans in this portfolio were not written-off prior to transfer, and the consequence was that Nayoby Bank inherited an impaired portfolio. This matter remains to be addressed.

117 BOL has brought APB under the normal prudential supervision regime for commercial banks. BOL now undertakes monthly off-site monitoring and half-yearly on site inspections as it does for other commercial banks.

118 BOL has helped to drive the implementation of the GA, providing guidance and assistance to APB and undertaking the GA six monthly performance reviews in tandem with its on-site inspections.

119 With the transfer of policy lending to Nayoby Bank, APB has undergone some cultural shift and has evidenced more commercial behaviour. The requirements for external audit have been met and APB has begun to partially fund such audits from its own resources. At the end of 2007 and 2008, APB substantially met the targets set out in the GA for recapitalisation. The outcome is that by the third quarter of 2009 APB's capital will be raised to zero (from a negative position) through a second tranche of recapitalisation bonds and a cash injection from MOF. The ground work to make APB transparent and to allow public reporting of its financial position is complete.

120 Poor MIS in APB, arising in part because of delays in upgrading APB's ICT, meant that on occasion APB struggled to produce information required under the GA on time. However, by mid 2009 APB was reporting on schedule in accordance with the GA, including the provision of self-assessments of performance.

121 APB has generally adhered to the Policy Lending Phase Out Plan set out in the GA, where implementation of the plan has been within its control. APB is not involved in the pending matter of the write off of loss loans in Nayoby Bank. One breakdown of the Policy Lending Phase Out Plan occurred between August and November 2008 when APB provided new policy loans of KN 29.36 billion in new policy loans to flood-affected existing clients in Vientiane Capital and Bolikhamxay Province. Although BOL, APB and MOF have confirmed that such loans will be provided through a different mechanism should a similar situation occur in the future, this demonstrates that the commercial impetus in APB remains fragile.

122 APB has complied with the letter of the GA in terms of appointments and the establishment of organisational committees. However, the committees are not yet effective. Ensuring the efficacy of the committees is the responsibility of an International Banking Advisor (IBA) recruited under TA arrangements. Due to drawn-out discussions between the Government and ADB regarding the tax status of the IBA, the appointment of the IBA was delayed for about one year. The IBA contract is underway and this matter can now be addressed.

Issues

123 The purpose of the Governance Agreement (GA) is to guide phase 2 of the APB restructuring plan between 1 January 2007 and 30 June 2010. The GA is modelled on earlier GA's between MOF, BOL and the other state-owned commercial banks (BCEL and LDB).

124 The APB GA is complex reflecting the content and structure of the previous GAs. As with any agreement correct implementation requires a thorough understanding of the detail and the inter-relationships between the obligations and activities of the main parties to the GA: MOF, BOL, the APB Board of Directors and the APB management.

125 The GA was drafted by external consultants, relying on the model GAs for BCEL and LDP taking into account the provisions of the RFSDP. Negotiations on the GA were high level. This meant that at the outset of the TA there was limited understanding of the GA at an operational level in MOF; BOL and APB. For future GAs generally, in order to gain earlier buy-in by the parties to a GA, consideration should be given to the establishment of a drafting committee. The drafting committee should include those that will be responsible for championing implementation in their respective organisations.

126 It was apparent following signature of the GA, for the above reason and due to management changes in APB and BOL, that understanding by the parties of their obligations under the GA was incomplete. Although training was later provided, it is recommended that for future GAs, thorough training for those responsible for GA implementation takes place in advance of the effective date of the GA. It is also recommended going forward that whenever there are changes in management within the parties to the GA, that the new management personnel undergo similar training on taking up office.

127 The GA is modelled on the "OECD Principles of Corporate Governance", 2004. These principles apply to private sector organisations with diverse public shareholding and inevitably lead to difficulty if applied to state-owned organisations. For organisations such as APB, where the prospect of privatisation is far in the future, and where regardless the organisation will to some extent remain an instrument of state policy some aspects of these principles are impractical.

128 Examples of difficulties in implementation encountered with OECD principles included:

- the requirement for at least one half of the APB Board to be non-executive (which was not complied with partly because of a shortage of candidates and partly because of resistance of executive management to relinquish decision-making power to outsiders);
- empowerment of the APB Board to independently appoint Deputy Directors (which understandably required consultation with BOL);
- publication of accounts (which was not complied with under the circumstances as APB's capital has remained negative throughout the implementation of GA to date); and
- the notion that MOF as owner would intervene on APB's part in the even that APB received instructions from another branch of Government to contravene the GA (which was not implemented, for example following the Government's instructions to APB to make new policy loans between June and November 2008).

129 For future GAs for SOEs that are unlikely to be equitised or privatised in the near term, consideration should be given to using the OECD Guidelines on the Corporate Governance of State-Owned Enterprises that were adopted by OECD in late 2005. These Guidelines represent the first international benchmark to assist governments in improving the corporate governance of SOEs.

130 Incorporation of requirements in a GA that were in practice very difficult to implement, weaken the overall fabric of the GA. The acceptance of non-compliance in cases (such as the examples above) where compliance is not possible, leads to the inference by the parties that partial compliance in other areas may also be acceptable, even when full compliance is possible.

131 While the coverage of the APB GA is sound, the ADB requirement to align it with GAs of other banks that started from a more advanced stage of development has meant that the GA contains some provisions that it has been very difficult for APB to achieve. Consideration in the future should be given to a more tailored approach that better recognises the maturity of the existing governance regime.

Sustainability

132 There are three main areas where sustainability is needed: in the supervision regime, in APB's operation as a commercial as opposed to a policy entity, and in the reduction of policy lending generally.

133 It seems likely that the supervision regime will remain in effect and will grow more robust. BOL continues to receive donor support in the development of its supervision capacity. With the expansion of private banking in Lao PDR, and ambitious plans for financial sector development, there is a strong imperative for BOL to continue to improve its capacity.

134 APB's ability to operate as a commercial bank remains fragile. This is threatened by a potential decline in operational performance as a result of credit expansion (see below); the potential for government to direct APB to revert to policy lending as happened in August-November 2009; and pressure on APB by donors to resume the operation of donor credit lines that have elements of directed credit, although they may be at market rates. The GA has been APB's main line of defence against these retrogressive pressures. With the release of the third tranche of the RFSDP programme loan, and with no replacement for the GA in place, it is to be expected that APB will come under these pressures again.

135 Regarding policy lending generally, Nayoby Bank was launched with the transfer of about KN 60 billion. Lending has risen steadily and is now in excess of at KN 400 billion – two-thirds of APB's portfolio. It is clear that the government remains intent on policy lending, and while it does so there may be a restrictive impact on the expansion of sustainable microfinance. However, the transfer of policy lending to an on-budget mechanism will make more evident the real cost to the government in loan losses – provided Nayoby Bank operates a sound provisioning and write-off policy. As Nayoby Bank does not fall under the commercial banking supervision regime, it is not clear if this will be the case.

136 The TA was originally required to prepare guidelines for on-budget policy lending by Nayoby Bank, including simplified credit policies and procedures, financial record keeping and management reporting. This requirement was dropped at the request of ADB in June 2008.

APB Performance

Principal Outcomes

137 In APB the TA assisted in the implementation of the policy lending phase out plan following the transfer of domestic policy loans to Nayoby Bank at the beginning of 2007. Specific assistance was provided with the design and implementation of a portfolio monitoring system to track portfolio performance by currency, stock and flow, and commercial and residual policy lending. The system continues to provide monthly updates of portfolio performance and facilitates targeting of NPL prevention and recovery efforts. The APB work out plan was completed with the write-off of loss loans at the end of December 2007 and December 2008. The system, if maintained, will continue to provide a firm foundation for APB's NPL management, allowing the targeting of recovery efforts by portfolio type and branch.

138 The TA assisted APB to prepare its 2007-2010 and 2008-2011 rolling corporate plans. This involved enhancements to the financial modelling system and associated training, and assistance in plan drafting. The plans served as a basis for setting APB's performance targets under the GA and for determining the amount of recapitalisation expected from MOF. APB achieved the targets for the first recapitalisation at the end of 2007 and met the 2008 targets.

139 Support was also provided to the APB human resources (HR) department. This involved definition of new organisational mandates for head office and branches; preparation of descriptions for all APB staff; development of performance standards and a performance appraisal process linked to incentives. All of these were approved and adopted by the APB board. The TA provided assistance with the first two cycles of bank-wide performance appraisal in August 2008 and January 2009. The training plan developed following the 2009 assessment has been incorporated in the 2009-2011 corporate plan.

140 In summary, APB has put in place improved NPL management systems, established a rolling corporate planning process as the basis for its overall direction, rationalised its organisational structure to one appropriate for a commercial bank, and introduced a performance assessment and reward system that encourages professional development and good financial performance.

Issues

141 APB's budgeting and financial management continues to have weaknesses¹. In particular APB lending increased from KN 319 billion at the end of 2007, to KN 611 billion at the end of 2008 and KN 644 billion at the end of March 2009. Lending in 2007 was 15 percent below the year end target of KN 373 billion, but in 2008 was 49 percent above the target of KN 411 billion. APB appears not to have been able to control its credit expansion in 2008, including significantly greater expansion than budgeted in Vientiane Capital (39 percent over target) and Savannakhet (69 percent over target) – two of the three branches with continuing serious NPL problems. Control appears to be better in 2009, with an average of 13 percent below target being the outcome at the end of March 2009.

142 APB savings deposits at the end of 2007 were KN 684 billion, KN 42 billion (7 percent) in excess of the target, and significantly in excess of the KN 319 billion in loans, contributing to weak financial performance as a result of the high cost of funds. By December 2008, savings deposits had increased to KN 794 billion, KN 41 billion (6 percent) over the target of KN 752 billion. Savings deposits at the end of March 2009 were KN 761 billion, 21 percent below the target of KN 963 billion.

143 APB had KN 58 billion in NPLs at the end of 2007, some 38 percent less than its target for the year end of KN 93 billion, although the target did not take account of the proposed write-offs under the GA. At the end of December 2008, NPLs were at a creditable level of KN 26 billion, bettering APB's target of KN 39 billion by one-third. However, at the end of March 2009, NPLs had risen to KN 35 billion, nearly 50 percent above APB's target of KN 24 billion, reflecting new NPLs coming through as a result of the over-rapid expansion in credit in 2008 and APB's lack of recognition that the expansion would lead to problems with the portfolio. The variances at the end of March 2009 were erratic by branch. The NPL situation continued to worsen between March and the end of June 2009.

Sustainability

144 APB needs to replicate the NPL monitoring system established under the TA in its new ICT system. It is important that the breakdown of stock and flow and commercial and policy loans is maintained in future management reporting until such time as stock and policy loans come to final maturity and are repaid or written-off. In addition, APB needs to amplify the features of the NPL reporting so that loans can be analysed by sector and size to better target recovery efforts.

145 The rapid and uncontrolled expansion of credit in 2008 is likely to undermine the progress APB has made in improving loan portfolio performance. To address this, APB needs to reinstate and strictly adhere to a "stop lending" policy in all branches where NPLs exceed 3 percent, until such time as the escalating NPL problem is brought under full control. Going forward, it is preferable that credit expansion is managed in line with APB's capacity to contain NPL levels.

146 The adoption of a corporate planning process in APB has been driven by the GA. It is to be hoped that APB will maintain the rolling plan cycle after the conclusion of RFSDP. Advantage should be taken of the presence of an IBA through to mid 2010 to ensure that the corporate plan is updated at the end of 2009.

147 The new organisational structure in APB is robust and appropriate for a commercial bank. Accordingly, it is expected that the structure will be retained. The performance assessment system will continue to provide a challenge to APB, and it is important that HR staff dealing with this function undergo the necessary training in the use of spreadsheets to enable them to process the data efficiently. It is also important that APB management uses the findings of the performance assessment in a transparent manner to ensure that rewards reinforce desired behaviour, and

¹ See appendix F for details.

conversely that APB management avoid discretionary rewards that run counter to the performance assessment system.

Microfinance Sector and Regulation Development

Principal Outcomes

148 The TA has provided assistance to the overall development of the microfinance sector. In the latter half of 2007 the TA assisted BOL to prepare an updated MF policy statement and action plan for activities in 2007-2010. The plan included all the main elements of the rural and microfinance reform agenda, and provisions for fulfilment of the RFSDP tranche conditions and periodic review of progress. The plan was reviewed and updated quarterly with TA assistance between December 2007 and March 2009. The elements of the action plan were:

- creating an enabling policy framework for public and private provision of rural and microfinance:
 - incorporation of the action plan into the financial sector strategy,
 - adoption and publication of financial sector strategy,
 - periodic review and updating of action plan, and
 - semi-annual stakeholder consultations on policy and action plans.
- creating a sound prudential regulatory and supervisory environment for public and private rural and microfinance institutions:
 - finalisation of SCU and MFI regulations, byelaws and guidelines,
 - semi-annual stakeholder consultations on implementation,
 - issue of regulation for commercial banks to make group guarantee microfinance loans,
 - monthly off-site monitoring of APB, MFIs and SCUs,
 - semi-annual on site examination of APB, MFIs and SCUs, and
 - promoting professional MFI management.
- transforming APB into a financially self-sustainable, market-oriented rural finance institution:
 - maintenance of compliance with governance agreement,
 - APB loss loans written off,
 - APB performance targets set,
 - MOF recapitalises APB,
 - APB carries out semi-annual performance evaluations,
 - APB adopts and maintains HR, credit and pricing best practices, and
 - APB prepares, approves and adopts 3 year corporate plans.

149 Assistance was given to BOL with the organisation of stakeholder consultation workshops in June, October and November 2007, June 2008, January 2009 and July 2009. The workshops led to finalisation of harmonised microfinance regulations for Deposit-Taking and Non-Deposit-Taking MFIs and for Savings and Credit Unions. BOL has announced its intention to upgrade the regulations to Decree. The TA further assisted BOL through formal and on-the-job staff training in the licensing and off-site and on-site supervision processes.

150 The regulations have so far led to the licensing/registration of 14 new microfinance organisations. Stakeholder consultation has led to the establishment of a formalised Microfinance Working Group with donors and practitioners as members, providing a focal point for dialogue with BOL. Donors have evidenced their support for the registration and licensing process, with all major donors pledged to work with BOL to ensure compliance.

151 Other than the ratification of the financial sector strategy incorporating the action plan, which remains pending with the Prime Minister's Office, all elements of the action plan have been fully implemented with TA assistance. It is now time to prepare the 2010 – 2013 action plan, which should incorporate the elements of the current action plan that need to continue.

Issues

152 The main issue occurring in implementation was the time taken by BOL to prepare and issue the harmonised regulations. Staff rotations and three changes in MF Supervision Division management in two years slowed progress while new personnel familiarised themselves with the context and the objectives underlying the process. Nevertheless, the outcome is a set harmonised regulations in a form that can be upgraded to decree status with little modification.

Sustainability

153 There is no doubt that the microfinance industry in Lao PDR now has its own momentum, and a clear regulatory framework for operation. With of the order of 5,000 microfinance organisations (mainly at village level) the challenge now is for BOL to manage the registration and licensing process in a credible way.

154 Going forward, two other regulatory issues need to be addressed: the upgrading of the MF regulations to decree status as requested of BOL by the Prime Minister; and whether or not BOL will permit apex MFIs to operate in Lao PDR and if so, what will be the regulatory framework. The latter issue should be considered in conjunction with the decree drafting. BOL announced its intention in the 2008 stakeholder workshops to upgrade the regulations to a decree (currently envisioned by the end of 2009). There are currently proposals being developed by donors for apex MFIs for which there is no regulatory framework.

155 BOL has detailed guidelines on what it should do in the course of supervision of deposit-taking MFIs and SCUs, but it has no guidelines on how to manage the information from registered MFIs and how to exercise its limited powers in relation to these. While stakeholders have in general recognised the need for microfinance activities to be registered and to report to BOL, some have questioned BOL's capacity to make purposeful use of the data it collects. As yet BOL has limited experience in the analysis of trends and the use of the data it will collect for overall industry monitoring purposes. BOL needs to address these issues through the development of an information system for non-deposit-taking microfinance institutions and through the regular publication of first class industry information on all types of MFI.

156 BOL has established manuals and guidelines for registration and licensing in accordance with the regulations, but has limited training materials available for delivery to MFIs regarding transformation, accounting and reporting processes and BOL staff have limited experience as trainers of practitioners. BOL needs assistance with the development of easy to understand training materials, particularly for non-deposit-taking MFIs, that will help the MFIs to professionalize and report meaningfully to BOL. BOL also needs to develop its own cadre of trainers in this context.

157 Although BOL has received hands-on training in off-site inspection and on-site supervision with FIRST and ADB assistance, it will be increasing its MF supervision staff compliment in 2009/10. With the promulgation of the regulations, BOL's workload will increase rapidly. In particular, it is expected that up to five thousand community level village banks and funds will have to go through the registration process and begin reporting, and that number of SCUs is expected to increase to between 30 and 50, and the number of MFIs to around ten. BOL needs to ensure that it trains additional staff, deepens its capacity in accounting expertise and accounting software, and develops good management practices to enable it to efficiently and effectively handle the increased work load.

158 Equally importantly, there is still much work to do with communicating the requirements of the regulations to village based organisations and assisting them in the registration process. This is particularly so for the many organisations that have no international donor support.

Main Deliverables Submitted Under the TA

Support for Rural Financial Reform

- Seven quarterly tranche release and GA compliance reviews (in progress reports) and maintenance of all tranche release and GA compliance documentation,
- Governance Workshop for TA stakeholders,
- GA Workshop for APB,
- APB Corporate Governance Training,
- Revised Policy Statement and Action Plan,
- Updated Regulations for DTMFIs, NDTMFIs and SCUs,
- COA and COA Manual MFIs and formal and on-the-job training for BOL MF supervision staff,
- BOL on-the-job training in MFI supervision,
- Four MF Stakeholder Consultation Workshops,
- Facilitation of GA implementation with MOF, BOL and APB as required.

Support for APB Portfolio Workout Completion

- Revised credit policies and procedures and Credit Manual,
- Portfolio reporting system for GA compliance,
- Eight quarterly portfolio performance reviews (in progress reports),
- APB on-the-job training in portfolio workout,
- Training courses in credit, loan recovery, loan administration, portfolio management and branch management.

Support for APB Corporate Planning Institutionalisation

- GA Performance Indicators Workshop,
- Corporate Planning Workshop,
- Financial Planning Model and Manual,
- Financial planning formal and on-the-job training,
- 2007-2009 GA performance and recapitalisation targets,
- 2008-2010 GA performance and recapitalisation targets,
- 2009-2011 GA performance and recapitalisation targets,
- Assistance with 2008-2010 and 2009-2011 Corporate Plans.

Support for Human Resources Improvement

- Revised organisational structure and departmental mandates,
- Job descriptions for all APB staff,
- Revised best practice HR policies and procedures,
- Training needs analysis tool,
- Training needs analysis,
- Training plan,
- Performance assessment tool,
- Performance assessment workshop,

Outcomes, Issues, Sustainability and Deliverables Submitted

- Two bank-wide summary performance assessments,
- Performance-related bonus system,
- Management skills training course.

APPENDIX A TERMS OF REFERENCE

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX A TERMS OF REFERENCE

INTERNATIONAL FINANCIAL SECTOR REFORM SPECIALIST/HUMAN RESOURCES SPECIALIST/TEAM LEADER (5 PERSON MONTHS)

- 1 The financial sector reform specialist/team leader will:
 - (i) assist BOL to: (a) prepare and implement the rural finance policy reform agenda and annual work plans for necessary actions to ensure timely fulfilment of RFSDP tranche conditions and periodic progress review; (b) integrate the rural and microfinance strategy into the overall strategy for the financial sector, and (c) organize consultations with industry stakeholders on the ongoing implementation of the legal and regulatory framework for microfinance;
 - (ii) assist BOL to prepare guidelines for on-budget policy lending by the Government Agency/ies selected to undertake this task, including simplified credit policies and procedures, financial record keeping and management reporting;
 - (iii) assist BOL, MOF, and APB to define and agree on annual performance-related recapitalization targets based on APB's rolling corporate plan;
 - (iv) assist APB to manage its organizational transition, ensuring that annual training plans incorporate the training necessary to equip APB staff to take on their roles in the modified organizational structure;
 - (v) develop guidelines for setting performance standards for each unique job, and assist APB to set performance standards for each job for Board approval;
 - (vi) assist APB to design and introduce an incentive-linked performance assessment system;
 - (vii) assist APB to devise a bonus scheme to reward individual excellence in job performance and collective success;
 - (viii) assist APB to review contracts of employment, revise them to link them to job descriptions and codes of practice, and put in place contracts with all employees;
 - (ix) assist APB to prepare and implement the 2007 and 2008 training plans in relation to new job descriptions and performance assessment standards;
 - (x) provide further assistance as required to APB to ensure that the performance standard, performance assessment, and bonus systems are functional; and
 - (xi) guide and manage the inputs of the other consultants, take lead responsibility for the preparation of the inception, quarterly progress, midterm, draft final and final reports, incorporating as appropriate contributions from other consultants.

INTERNATIONAL BANK RESTRUCTURING SPECIALIST (3 PERSON-MONTHS)

- 2 The restructuring specialist will:
 - (i) assist APB to implement its plans for phasing out interest rate subsidies and directed credit, provide guidance on the accounting changes to be made, and monitor on a quarterly basis accounting entries to ensure the correct treatment of off balance sheet items, fee income, and the progressive reduction in subsidized and directed credit;
 - (ii) assist APB to complete the work out plan initiated in 2003 such that all loans incorporated in the workout plan at 31 December 2003 are given a workout status and have their classification and provisioning requirements updated at least quarterly;
 - (iii) assist APB to institutionalize the process for the management of loan default;
 - (iv) assist APB to establish a quarterly loan portfolio review and reporting process that clearly identifies the performance of the on- and off-balance sheet loan portfolios, separately identifying loans by source of funds, workout status, date of origination, customer type,

industry classification and such other parameters as may be required in connection with the development of a credit scoring mechanism; and

- (v) contribute as required to the inception, quarterly progress, midterm, draft final, and final reports.

INTERNATIONAL CORPORATE PLANNING SPECIALIST (2 PERSON-MONTHS)

3 The corporate planning specialist will:

- (i) assist APB in 2006, 2007, and 2008 to update its rolling corporate plan, in 2006 making enhancements to the financial modelling system to allow detailed modelling of cost centers, and in 2007 to transfer the modelling process to the upgraded IT system;
- (ii) assist APB to define its annual performance targets for recapitalization with MOF and BOL;
- (iii) update the APB corporate plan financial projections on receipt of the final externally audited accounts for APB 2007.
- (iv) provide on-the-job training to APB staff responsible for corporate planning, financial modeling and IT systems in financial modelling and performance measurement and provide practical guidance for the transfer to the upgraded IT system; and
- (v) contribute as required to the inception, quarterly progress, midterm, draft final and final reports, incorporating as appropriate contributions from other consultants.

NATIONAL FINANCIAL SECTOR SPECIALIST (5.1333 MONTHS)

4 Reporting to the Team Leader, the National Financial Sector Specialist will:

- (i) assist the Team Leader with all aspects of the terms of reference as required;
- (ii) collect and analyse required data and information, and make these available in English and in an organised, readable form;
- (iii) assist in the preparation of guidelines, manuals, training materials, and delivery of workshops and training including translation of documents and interpretation;
- (iv) assist in the provision of day-to-day support for the TA operations of BOL and APB including on-the-job training for BOL and APB staff;
- (v) assist ADB missions under the RFSDP in mission logistics including mission arrangements, translation of small documents, and interpretation at meetings;
- (vi) assist ADB in liaison with MOF, BOL and APB to facilitate RFSDP implementation of MOF, BOL and APB responsibilities under RFSDP;
- (vii) assist the Team Leader to help APB with the introduction of performance standards, the performance assessment system, the bonus system and the preparation and implementation of training plans.
- (viii) undertake other tasks necessary for the efficient implementation of the work as may reasonably be required by the Team Leader; and
- (ix) contribute as required to the Inception, Quarterly Progress, Mid-Term, Draft Final and Final Reports.

NATIONAL HUMAN RESOURCES AND LEGAL CONSULTANT (2 MONTHS)

5 Reporting to the Team Leader and in consultation with the International Human Resources Specialist, the National Human Resources and Legal Consultant will:

- (i) assist APB to document existing departmental mandates and job descriptions in a standard best practice form for the entire organisation at head office and branch level;
- (ii) assist APB to draft revised unit mandates for the new organisational structure in consultation with departmental heads;
- (iii) assist APB to prepare the resulting existing job descriptions for the new organisational structure in consultation with departmental heads;
- (iv) assist APB to identify where the existing mandates and job descriptions need to be changed to match with a new organisational structure;
- (v) on an individual basis identify changes to the job descriptions for each existing APB staff member;
- (vi) assist APB to make and implement a plan for transition, including any necessary training required; and
- (vii) assist APB to prepare a corporate governance policy statement.

NATIONAL ACCOUNTING SPECIALIST (4 MONTHS)

6 Reporting to the Team Leader and in consultation with the International Microfinance Supervision Specialist, the National Accounting Specialist will:

- (i) assist BOL with the on-site and off-site supervision and preparation of examiners reports of MFIs and SCUs including the on-site inspection of four SCUs/MFIs;
- (ii) provide on-the-job training for BOL in MFI supervision staff in accounting and the COA for MFIs;
- (iii) assist BOL to train MFIs and SCUs in accounting matters;
- (iv) assist BOL to collate, interpret, draw conclusions and make presentations regarding performance and industry trends from data provided by MFIs and SCUs, including registered MFIs;
- (v) assist BOL with on advising new MFIs and SCUs on the licensing and reporting procedures under the new MFI regulations;
- (vi) assist BOL with processing new applications for licences from SCUs and MFIs and with registering non-deposit taking MFIs.
- (vii) undertake other tasks necessary for the efficient implementation of the work as may reasonably be required by the Team Leader; and
- (viii) contribute as required to Quarterly Progress Reports.

**APPENDIX B STATUS OF COMPLIANCE WITH TRANCHE
RELEASE CONDITIONS AND THE GOVERNANCE
AGREEMENT BY THE PARTIES TO THE
AGREEMENT**

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX B STATUS OF COMPLIANCE WITH RFSDP 3RD TRANCHE RELEASE CONDITIONS

The following matrix shows the status of compliance with tranche release conditions at 31 July 2009.

Item	Tranche Condition	Status of Compliance	Evidence Required
Objective 1: Creating an enabling policy framework for public and private provision of rural and microfinance			
1. a	RMFC continues semi-annual consultations with microfinance stakeholders Deadline: January 2010	In Progress The RFSDP PSC organized six stakeholder consultation workshops: (i) 25-26 June 2007 on MFI/SCU regulations, 90 stakeholders, including provincial representatives, attended; (ii) 17 October 2007 on non-deposit-taking MFI/SCU regulations, 40 stakeholders attended; (iii) 28 November 2007 on deposit-taking MFI/SCU regulations, 40 participants attended; (iv) 30 June 2008 to present the approved regulations and implementing guidelines, 70 stakeholders attended; (v) 19 January 2009 on suggested revisions of the microfinance regulations, 80 stakeholders attended; and (vi) 24 July 2009 on the draft Lao chapter of the rural and microfinance study and the direction of microfinance development, 60 stakeholder attended.	<ul style="list-style-type: none"> Collected evidence: Reports of workshops up to July 2009 To be collected: Reports of consultation workshops early 2010.
1. b	BOL shall have adopted a financial sector strategy covering 2007 to 2010, which incorporates the Government's approved Policy Statement and Action Plan for the development of sustainable rural and microfinance	In Progress Following the approval of the Government's request by the ADB, this release condition was transferred from the second tranche to the third tranche. BOL has drafted a Financial Sector Strategy (FSS) 2020. The consultation workshop to discuss a draft FSS was held on 5 November 2008. The Finance Minister endorsed the draft FSS on 07 December 2008. The drafting committee has incorporated the approved PSAP 2007–2010 describing the Government's commitment to establish a viable and sustainable rural microfinance	<ul style="list-style-type: none"> Collected evidence: Draft FSS 2020 as of March 2009, approved by BOL's Governor (Letter No. 05/BOL). To be collected: Approved FSS incorporating the PSAP

Item	Tranche Condition	Status of Compliance	Evidence Required
	Deadline: January 2010	sector into the FSS 2020. BOL's Governor approved the FSS on 23 February 2009 (Letter No. 05/BOL), and the FSS 2020 has been forwarded and approved by the PMO at the Cabinet Meeting on 28 July 2009.	
Objective 2: Creating a sound prudential regulatory and supervisory environment for public and private rural and microfinance institutions			
2. a	APB publishes its audited financial statements for 2008 prepared in accordance with IFRS Deadline: July 2009	In Progress The 2008 external audit has been carried out by KPMG and the draft audit report submitted in late June. The draft audit report was approved by the APB Board on 22 July 2009. APB will submit the report to MOF. On MOF concurrence with the report, it will be distributed in accordance with the GA.	<ul style="list-style-type: none"> Collected evidence: Final audit report as of July 2009. To be collected: APB's published 2008 external audit report
2. b	BOL conducts monthly off-site monitoring and at least three semi-annual on-site inspections of APB Deadline: December 2009	In Progress BOL started conducting the quarterly off-site monitoring of APB in late 2006. In accordance with the supervision procedures of BOL, only quarterly off-site monitoring is required. The latest off-site examination is covering Q4 2008. BOL has completed six on-site inspections of APB for 30 June 2006, 31 December 2006, 30 June 2007, 31 December 2007, 30 June 2008 and 31 December 2008.	<ul style="list-style-type: none"> Collected evidence: Quarterly off-site reports of Q1 to Q4 of 2007 & 2008 and semi-annual on-site reports of H1 and H2 2006, H1 and H2 2007, and H1 and H2 2008, To be collected: Quarterly off-site reports of Q2, Q3, Q4 of 2009 and semi-annual on-site reports of H1 and H2 of 2009.
2. c	BOL conducts monthly off-site monitoring and at least three semi-annual on-site inspections of SCUs and MFIs that are subject to the prudential supervision regime	In Progress Since September 2007 BOL has conducted the monthly off-site monitoring of the three pilot SCUs (Seno, Vientiane, Luang Prabang) using the Microfinance Supervision Manual approved by BOL in August 2007. BOL has also conducted off-site monitoring for three pilot SCUs and three deposit-taking MFIs (EMI, Newton, and Sayaysamphan). BOL now has monthly reports for September 2007 – May 2009, and is	<ul style="list-style-type: none"> Collected evidence: Monthly off-site reports of September 2007 – May 2009 and semi-annual on-site reports of H1 and H2 2007, H1 and H2 2008, To be collected: Quarterly off-site reports of Q2, Q3, Q4 of 2009 and semi-annual on-site

Item	Tranche Condition	Status of Compliance	Evidence Required
	Deadline: December 2009	continuing this monthly monitoring exercise. BOL has completed five on-site inspections of the three pilot SCUs; the first in September 2005, the second in August 2007, the third in January/February 2008 and the fourth in July/August and October 2008 and the fifth in February 2009.	reports of H1 and H2 of 2009.
Objective 3: Transforming APB into a financially self-sustainable, market-oriented rural finance institution			
3. a	BOL, MOF, and APB ensure that the provisions of the governance agreement are adhered to Deadline: January 2010	<p>In Progress</p> <p>MOF, BOL and APB semi-annual self-assessments covering July-December 2008 have been submitted (dated on 08 April 2009, No.0850/MOF/CO, dated on 09 February 2008, No. 318/BOL and dated on 09 February 2009, No.22/APB respectively).</p> <p>BOL semi-annual self-assessments covering Jan-June 2009 has been submitted (dated on 16 July 2009, No.605/BFSD).MOF APB are currently preparing their self assessment reports covering January-June 2009. According to the Governance Agreement (GA), Annex F (the APB Policy Phase-Out Plan), APB must reduce the amount of policy lending to zero at 31 December 2008 and from 30 March 2007 onwards APB shall not enter into any new Policy Lending. However, according to the APB portfolio reports, APB provided new policy loans of KN 29.36 billion from August – November 2008. At the end of December 2008, APB had KN 33 billion outstanding in policy loans. BOL and APB explained that the new policy loans were one-off emergency loans from a Government special fund to flood-affected clients in Vientiane Capital and Bolikhamxay province during August – October 2008. BOL, APB and MOF confirmed that such loans will be provided through a different mechanism should a similar situation occur in the future.</p> <p>As of end of June 2009, no further new policy lending has</p>	<ul style="list-style-type: none"> Collected evidence: Semi-annual reports of H2, 2008 and H1 2009 of BOL, H2, 2008 of MOF and APB. To be collected: BOL semi-annual progress reports of H2 2009 and MOF and APB semi-annual progress reports of H1 and H2 2009.

Item	Tranche Condition	Status of Compliance	Evidence Required
		been reported.	
3. b	BOL, MOF, and APB review and update (i) the performance targets and other conditionality for recapitalization, and (ii) the governance agreement for such performance-based recapitalization Deadline: January 2010	In Progress APB has appointed the corporate planning team for the 2009-2011 Corporate Plan (CP). The team is comprised of senior management of APB and divisional heads. APB Board approved the 2008 external audit report on 22 July 2009. APB will update its performance targets and submitted to BOL and MOF for concurrence. The GA will then be updated accordingly. BOL will finalize its APB performance assessment upon receipt of 2008 audit reports.	<ul style="list-style-type: none"> Collected evidence: Draft CP 2009-2011 To be collected: Updates June 2009 and January 2010.
3. c	Subject to APB's compliance with its obligations under the governance agreement and achievement of its performance targets defined therein, MOF injects additional capital into APB in accordance with the governance agreement Deadline: January 2010	In Progress MOF provided the first recapitalization for APB in accordance with GA. APB achieved 80 percent of the financial targets for 2007 as verified by the auditors. As a result, on 30 July 2008 MOF injected KN 87.5 billion (50 percent of the APB's negative capital, as of 31 December 2007 audited accounts). The recapitalization bonds bear 8 percent interest rate with a 5 year term. Interest payment will be made in cash twice a year. For the second recapitalization, APB will be required to achieve at least 75% of each individual and at least 100% of the overall qualitative and quantitative targets for 2008, verified by the auditors. In accordance to the GA, within 90 days of finalization and approval by the APB Board, MOF is to recapitalize APB to bring APB's capital on its balance sheet to zero. Accordingly, APB will be required to submit its self-assessment to BOL and MOF before September 2009.	<ul style="list-style-type: none"> Collected evidence: Issuance of bonds by MOF for the 1st recapitalization. (Agreement No.1610/MoF dated 30 July 2008) To be collected: MOF recap to bring APB capital level to zero, as of 31 December 2008 audited account: 25-30 percent in cash, remaining in bonds.

Appendix B Status of Compliance with Tranche Release Conditions

Item	Tranche Condition	Status of Compliance	Evidence Required
3. d	<p>APB updates and APB's Board approves rolling three-year corporate plans aligned with the restructuring plan and governance agreement</p> <p>Deadline: September 2009</p>	<p>In Progress</p> <p>APB Board approved the 2008 external audit report on 22 July 2009. The CP 2009-2011 are being finalized. APB will submit the updated CP to its Board for consideration and approval in the next BOD meeting, scheduled in mid August 2009.</p>	<ul style="list-style-type: none"> Collected evidence: Draft CP 2009-2011 To be collected: Approved rolling plan 2009-2011 updated with the 2008 audited accounts.

STATUS OF COMPLIANCE WITH THE GOVERNANCE AGREEMENT BY THE PARTIES TO THE AGREEMENT

Ministry of Finance

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
<p>3.1 Strengthening of Institutional Autonomy</p>	<p>3.1.1 MOF will issue and ensure compliance with instructions to APB that:</p> <ul style="list-style-type: none"> (i) the mandate of APB's Board of Directors is modified in accordance with the duties and obligations set out in Article 5.3 of the GA (ii) all credits will be on the basis of commercial criteria and in accordance with Annex C of the GA (iii) the Board is empowered to appoint appropriately qualified deputy directors and branch managers of APB upon recommendations of the Managing Director (iv) the Management is empowered to appoint all other staff below the positions named in Article 3.1.1 (iii) above (v) APB is free to set interest rates on loans and deposits and to determine the level of fees and other charges associated with any of its products or services. 	<p><u>Implementation Progress</u></p> <p>MOF has issued the instructions No. 1431/MOF, dated 01 July 2008.</p> <p>In violation of Annex C, 3.1.1 (ii), Annex F and Article 5 of the GA APB provided new policy loans of KN 29.36 billion from August – November 2008. At the end of December 2008, APB had KN 41 billion outstanding in policy loans. BOL and APB explained that the new policy loans were one-off emergency loans from a Government special fund to flood-affected clients in Vientiane Capital and Bolikhamxay province during August – October 2008. BOL, APB and MOF confirmed that such loans will be provided through a different mechanism should a similar situation occur in the future.</p> <p><u>Immediate Actions Required</u></p> <p>Ensuring compliance is an on-going activity following the issue of instructions. As of end of June 2009, no further new policy lending has been reported.</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
<p>3.2 Write-Off of Policy Loans</p>	<p>3.2.1 by 30 June 2007 MOF will confirm its agreement to BOL to the write-off of the amounts identified as loss loans at 31 December 2003 in the APB Policy Lending Phase-Out Plan.</p> <p>(Note: the Policy Lending Phase Out Plan provides for the write off of loss loans at 31 December 2003 and subsequent loss loans. The reference date for the approval including subsequent loss loans is 31 December 2006).</p>	<p><u>Implementation Progress</u></p> <p>MOF issued concurrence letter to BOL regarding to its agreement on the write-off of the loss loans on APB's balance sheet at 31 Dec. 2006 dated 13 Mar 2008, No 0553/MOF.Cabinet Office</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
<p>3.3 Assistance to the Agricultural Promotion Bank</p>	<p>3.3.1 MOF will</p> <p>(i) by the 31 December 2007 appoint qualified persons to act as members of the Board meeting the following criteria:</p> <ul style="list-style-type: none"> at least two Directors will have commercial banking and bank risk management experience at least one half of the Board members, including the chairperson, must be non-executive Directors. 	<p><u>Implementation Progress</u></p> <p>MOF has appointed seven directors of APB. These are:</p> <ul style="list-style-type: none"> three non-executive directors being one representative of MOF as chairperson, one representative of MOAF as deputy chairperson, one representative from the private sector; and four executive directors being the Managing Director of APB, two Deputy Managing Directors of APB and the Head of the APB Personnel Department. <p>The Managing Director and one of the Deputy Managing Directors are both former APB Branch Managers and have some commercial banking experience and risk management experience associated with APB's ordinary loan portfolio.</p> <p>There is non-compliance with the requirement for at least one-half of the Board to be non-executive.</p> <p>This has been drawn to the attention of parties to the GA for their consideration of what action to take to rectify the non-compliance.</p> <p><u>Immediate Actions Required</u></p> <p>Parties to the GA to propose solution for compliance.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>(ii) by the 31 December 2007 appoint a qualified person to act as Managing Director.</p> <p>(iii) by the 31 August 2007 issue instructions permitting APB's Board of Directors to distribute the 2006 annual external audits of APB according to IFRS by independent external auditors to MOF, BOL, MOJ, CPC, and ADB.</p>	<p><u>Implementation Progress</u> Mr. Bounvong Doangdocket, formerly APB Branch Manager for Savannakhet has been appointed as the Managing Director of APB.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> APB 2005 audit was conducted by Price Waterhouse Coopers in 2006, and the audit reports are available. The 2005 reports were not distributed because the Governance Agreement (GA) was signed only in March 2007. The APB 2006 audit was conducted by Ernst & Young. The audit reports were approved by the APB Board and were distributed to MOF, BOL, MOJ, MPI (formally known as CPI) and ADB in accordance with MOF's approval No.3225, dated 24 Aug 2007.</p> <p><u>Immediate Actions Required</u> None</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>(iv) by the 31 August 2008 issue instructions permitting APB's Board of Directors to distribute the 2007 annual external audits of APB according to IFRS by independent external auditors to MOF, BOL, MOJ, CPC, and ADB.</p>	<p><u>Implementation Progress</u></p> <p>The 2007 audit by Ernst & Young has been completed and was approved by the APB Board on 30 June 2008. The 2007 reports were distributed to MOF, BOL, MOJ, MPI and ADB in accordance with the MOF approval letter No. 1504 dated 17 July 2008.</p> <p>The 2008 external audit has been carried out by KPMG and the draft audit report submitted in late June. The draft audit report was approved by the APB Board on 22 July 2009. APB will submit the report to MOF. On MOF concurrence with the report, it will be distributed in accordance with the GA.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>IFRS Financial Statements for 31 December 2006 have been provided to all concerned parties.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>
	<p>(v) by the 31 August 2007 issue instructions permitting APB's Board of Directors to publish an Annual Report of the Directors and APB's independently audited IFRS Financial Statements for 31 December 2006.</p>	

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>(vi) by the 31 August 2008 issue instructions permitting APB's Board of Directors to publish an Annual Report of the Directors and APB's independently audited IFRS Financial Statements for 31 December 2007.</p> <p>(vii) assist the Board, upon request by APB's Board or Management, to avoid external influence and conflicts of interest and in particular to comply with the provisions of Article 5 of the GA.</p>	<p><u>Implementation Progress</u></p> <p>IFRS Financial Statements for 31 December 2007 had been provided to all concerned parties.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>In violation of Annex C, 3.1.1 (ii), Annex F and Article 5 of the GA, APB provided new policy loans of KN 29,36 billion from August – November 2008. At the end of December 2008, APB had KN 41 billion outstanding in policy loans. BOL and APB explained that the new policy loans were one-off emergency loans from a Government special fund to flood-affected clients in Vientiane Capital and Bolikhamxay province during August - October 2008. BOL, APB and MOF confirmed that such loans will be provided through a different mechanism should a similar situation occur in the future. As of end of Feb 2009, no further new policy lending has been reported.</p> <p><u>Immediate Actions Required</u></p> <p>MOF to ensure no new policy lending by APB.</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
3.4 Government Securities	3.4.1 MOF will permit APB to purchase Government Securities and to participate in the sale or auction of Government Securities.	<p><u>Implementation Progress</u></p> <p>MOF has confirmed that APB is subject to the same provisions as commercial banks and is able to participate in the sale or auction of Government Securities.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>
3.5 Tax Treatment of NPLs	3.5.1 MOF acknowledges that specific and general loan loss provisioning, made under BOL regulation 06, dated 11 May 2004, will be deducted by the APB for profit tax calculation purposes as a normal cost of doing business. APB will only be exempted from the Minimum Tax in accordance with Article 50 of Amended Tax Law no 04 NA dated 19 May 2005.	<p><u>Implementation Progress</u></p> <p>By signature of the Governance Agreement, MOF has agreed to these provisions of Article 3.5.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>
3.6 Amendment of By-Laws	3.6.1 MOF will issue instructions authorizing APB to amend its By-Laws to ensure consistency with the purpose and objectives of the APB Restructuring Plan and the terms of this Agreement.	<p><u>Implementation Progress</u></p> <p>MOF has issued instruction No. 1431/MOF dated 01 July 2008. (Note: By-laws here is taken to refer to the rules and regulations governing the internal operations of APB, subsidiary to Decree No 92/PM of 1992 founding APB and other laws applicable to APB).</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
<p>3.7 Capital Support</p>	<p>3.7.1 In consideration of the achievement of the Performance Targets in Annex D to the GA, and as amended and agreed between MOF, BOL and APB from time to time, MOF shall recapitalize APB as follows:</p> <p>(i) by 90 days upon finalisation and approval by the APB Board of the previous year's audited financial statements, one half of the difference between APB's actual capital on its balance sheet and a zero level of capital derived from the 31 December 2007 external accounts; and</p> <p>(ii) by 90 days upon finalisation and approval by the APB Board of the previous year's audited financial statements, capital sufficient to bring APB's capital on its balance sheet to zero derived from the 31 December 2008 externally audited accounts.</p>	<p><u>Implementation Progress</u></p> <p>MOF provided the first recapitalization for APB in accordance with GA. APB achieved 80% of the financial targets for 2007 as validated by the auditors. As a result, on 30 July 2008 MOF injected KX 87.5 billion (50% of the APB's negative capital, as of 31 December 2007 audited account). The recapitalization bonds bear 8% interest rate with a 5 year term. Interest payment to be made in cash twice a year.</p> <p>The second capital injection is subject to APB's continued compliance with its obligations under the GA and achievement of its performance targets defined in the Annex D of the revised GA.</p> <p><u>Immediate Actions Required</u></p> <p>MOF to prepare for second recapitalization.</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>3.7.2 The first tranche of recapitalization will be in Government Securities. The second tranche will comprise 25 to 30 percent in cash and the balance in Government Securities. The Government Securities will have market rates of interest and terms (positive in real terms), but will initially be non-discountable and non-marketable. Their eventual discountability and marketability will be assessed in the future in a manner that will not be disruptive of macroeconomic stability of Lao PDR. The maturity of the recapitalization Government Securities will not be less than 5 years. MOF shall pay interest to APB on the recapitalization Government Securities on the due dates in cash.</p>	<p><u>Implementation Progress</u></p> <p>MOF provided the first recapitalization for APB in accordance with GA. APB achieved 80% of the financial targets for 2007 as verified by the auditors. As a result, on 30 July 2008 MOF injected KN 87.5 billion (50% of the APB's negative capital, as of 31 December 2007 audited account).</p> <p>Confirmation that the second tranche is due will follow on finalisation of the audit report, review of the auditor's assessment of GA compliance and the APB's achievement of targets by BOL and MOF.</p> <p><u>Immediate Actions Required</u></p> <p>BOL and MOF review audit and APB performance under the GA.</p>
<p>3.8 Financing for Social Safety Net</p>	<p>3.8.1 If involuntary retrenchment in APB is necessary, the severance payment will be made in accordance with Labor Law, Chapter IX, Article 48 on Social Security Fund. However, in case there is need for additional payments, the APB shall submit a request to MOF for consideration.</p>	<p><u>Implementation Progress</u></p> <p>No involuntary retrenchment has taken place or is planned at the date of reporting.</p> <p><u>Immediate Actions Required</u></p> <p>Parties to the GA to advise ADB in the event of occurrence.</p>

Bank of Lao PDR

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
4.1 Mitigation Measures	<p>4.1.1 If involuntary retrenchment in APB is necessary, BOL will in collaboration with APB define and adopt mitigation measures to be provided consistent with the laws of Lao PDR.</p>	<p><u>Implementation Progress</u></p> <p>No involuntary retrenchment has taken place or is planned at the date of reporting.</p> <p><u>Immediate Actions Required</u></p> <p>Parties to the GA to advise ADB in the event of occurrence.</p>
4.2 Loan Write-Off	<p>4.2.1 By 31 December 2007, in collaboration with APB and MOF, BOL will seek agreement from Domestic Funders that Domestic Funders will bear all losses associated with Policy Lending that they have financed. In the event Domestic Funders do not bear such losses, BOL will authorise APB to write off such losses.</p>	<p><u>Implementation Progress</u></p> <p>No action has been taken regarding write-off. Loans financed by Domestic Funders have been transferred to Nayoby Bank. No write-off with respect to these loans took place prior to the transfer.</p> <p>Under the terms of the GA, all loss loans at 31 December 2006 that are Policy Loans and that were in APB prior to transfer to Nayoby Bank are required to be written off. Accordingly, under the existing GA there is still a requirement for BOL to address the write-off of loss loans transferred to Nayoby Bank.</p> <p>However, ADB has indicated that it is agreeable to this requirement of the GA being waived, and the treatment of these loans being left for Government to decide.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>4.2.2 By 31 December 2007, in accordance with the APB Policy Lending Phase-Out Plan in Annex F of the GA, BOL will agree and authorise the write-off of the amounts identified as loss loans.</p>	<p><u>Implementation Progress</u></p> <p>BOL has authorised the write-off of loss loans in APB not transferred to Nayoby Bank that were loss loans at 31 October 2007 per the request of APB in the amount of 52.23 billion kip, 348,100 USD and 14,500,000 Thai Baht (equivalent to 59 billion kip).</p> <p>APB Board confirmed the write-off on 13 November 2007.</p> <p>APB wrote off the loss loans in its 2007 books. MOF issued its concurrence letter to BOL regarding to its agreement on the write-off of the loss loans on APB's balance sheet at 31 Dec 2006 on 13 Mar 2008 No 0553/MOF Cabinet Office.</p> <p>APB communicated the write-off to branches in May 2008.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>
<p>4.3 Regulation and Supervision</p>	<p>4.3.1 By 31 December 2005 BOL will issue a directive confirming that the prudential regulations for APB are the same as those for state-owned commercial banks.</p> <p>4.3.2 By 1 August 2004 BOL will issue instructions to APB to effect compliance with prudential regulations on loan classification and provisioning from 1 August 2004 and with all other prudential regulations other than capital adequacy and minimum capital requirements by a 1 August 2004.</p>	<p><u>Implementation Progress</u></p> <p>Issued on 7 July 2005,</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>Issued on 7 July 2005.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>4.3.3 By 31 December 2007 BOL will provide APB with proforma reporting templates approved by ADB for the quarterly performance report listed in Annex E to the GA.</p>	<p><u>Implementation Progress</u></p> <p>BOL has prepared the templates which have been reviewed by TA-4827.</p> <p>BOL has provided proforma to APB. Notice No 59/BOL, on 11 March 2008. On 1 January 2009, BOL introduced new CoA for all commercial banks resulting in changes of 2 out of 9 report templates required by GA, namely the templates for the income statement and the balance sheet. Provision of guidance on the completion of the new templates was only provided by BOL to APB in late June 2009.</p> <p><u>Immediate Actions Required</u></p> <p>APB to update its compliance with reporting requirements by end July 2009.</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
4.4 Implementation Oversight	<p>4.4.1 By 1 January 2007, BOL will commence monthly off-site monitoring of APB and will prepare and submit monthly off-site monitoring reports to MOF and ADB.</p> <p>4.4.2 By 1 January 2007, BOL will commence half-yearly on-site supervision of APB and will prepare and submit half-yearly on-site supervision reports to MOF and ADB within one month of the end of the period under review, such review to include grading of the performance of APB in accordance with Article 6.2.1 of the GA and a statement of the reasons for the grade given.</p>	<p><u>Implementation Progress</u></p> <p>BOL started quarterly off-site monitoring of APB in late 2006. In accordance with the supervision procedures of BOL, only quarterly off-site monitoring is required. The monitoring has been carried out regularly and the latest off-site examination covers Q4 2008. Reports have been provided in the Lao language.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p> <p><u>Implementation Progress</u></p> <p>BOL has commenced on-site supervision. BOL has completed six on-site inspections of APB for 30 June 2006, 31 December 2006, 30 June 2007, 31 December 2007, 30 June 2008 and 31 December 2008. Reports have been provided for three previous on-site inspections.</p> <p>BOL conducted the performance assessment of APB covering January – June 2008 in accordance with the GA. BOL is currently preparing the evaluations of APB's performance against the 2008 performance targets covering July-December 2008. The finalization of the assessment report is contingent on the completion of the external audit.</p> <p><u>Immediate Actions Required</u></p> <p>BOL to finalize a performance assessment of APB at 31 December 2008 and at subsequent half-yearly intervals in accordance with GA requirements.</p>

Article	Overall Action Required	Implementation Progress and Immediate Actions Required at 31 July 2009
	<p>4.4.3 BOL will:</p> <p>(i) formulate methods for resolving implementation issues and liaising with other Ministries of the Government to ensure smooth implementation including acting on any report received from APB under Article 5.1.(v) of the GA to ensure that the provisions of the GA are not violated.</p> <p>(ii) liaise with and report to ADB on relevant issues of concern, including any reports prepared by consultants, and coordinate donor activities relating to the banking sector.</p>	<p><u>Implementation Progress</u></p> <p>BOL has acted as facilitator for actions taken to date as required. No actions have been required under Article 5.1 at the date of reporting.</p> <p><u>Immediate Actions Required</u></p> <p>None at the date of reporting</p> <p><u>Implementation Progress</u></p> <p>BOL is undertaking this as an on-going function.</p> <p><u>Immediate Actions Required</u></p> <p>BOL to render assistance to APB in compliance achievement by APB.</p>
4.5 Provision of International Banking Adviser and Other Consultants	4.5.1 By 30 June 2007, BOL, in representation of and collaboration with MOF, will recruit and engage at least one IBA and two ABAs and an International Accounting and MIS Specialist for APB in accordance with the provisions of Annex G of the GA.	<p><u>Implementation Progress</u></p> <p>MOF has confirmed the tax exempt status of the IBA. Recruitment of advisers has been completed.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>
4.6 Additional Duties	4.6.1 BOL will carry out all relevant duties and obligations under Articles 6 and 7 of the GA.	See Articles 6 and 7 below.

Agricultural Promotion Bank, Board and Management

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
5.1 General Duties and Strategic Focus	5.1.1 APB undertakes to:	
	(i) operate in a proper and sound manner according to commercial and prudential principles.	<p><u>Implementation Progress</u></p> <p>APB has yet to put in place all the required policies and procedures to give full effect to this requirement.</p> <p><u>Immediate Actions Required</u></p> <p>APB to make step by step progress with GA requirements in systematic sequence.</p>
	(ii) comply with all legislation and regulation governing its activities.	<p><u>Implementation Progress</u></p> <p>APB is generally compliant with all legislation and regulation. APB was unable in 2007 to meet all of the BOL prudential ratios. (APB met 9 out of 23 ratios). APB was able in 2008 to meet most of the BOL prudential ratios.</p> <p><u>Immediate Actions Required</u></p> <p>APB to improve prudential compliance.</p>
	(iii) amend its By-Laws to ensure consistency with the purpose and objectives of the APB Restructuring Plan and the terms of this Agreement, and to review the By-Laws periodically and make amendments as needed to ensure consistency with laws, decrees and instructions governing the banking sector.	<p><u>Implementation Progress</u></p> <p>Revised credit policies and procedures including those for loan work out have been drafted and have been approved by the APB Board and are being rolled out.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(iv) focus on its core business areas and carry out its activities in accordance with the APB Restructuring Plan and APB's corporate and business plans as approved from time to time by the Board.	<p><u>Implementation Progress</u></p> <p>The corporate planning function has been re-established. A 2008-2010 corporate plan was prepared utilising the 2007 audited accounts as a basis for the projections. The APB Board approved the corporate plan on 30 June 2008.</p> <p>BOL (No. 223/BFSD dated 14/07/2008) and MOF (1467/MOF.CO dated 11/07/2008) also approved the 2008-2010 APB Corporate Plan targets.</p> <p>APB has appointed the corporate planning team for the 2009-2011 Corporate Plan (CP). The team is comprised of the senior management of APB and divisional heads. As per APB timetable, the 2009 – 2011 CP is expected to be finalized and approved by APB Board of Directors (BOD) by August 2009.</p> <p><u>Immediate Actions Required</u></p> <p>BOL and MOF to approve the 2009-2011 APB Corporate Plan targets.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(v) report simultaneously to the Vice Minister of Finance, the Deputy Governor of BOL, and the Director of BFSF any verbal or written communication from SOEs, line ministries, central government and provincial authorities, or any person formally or informally associated with these entities, which direct or request preferential or directed credit, or other non-commercial activities.</p>	<p><u>Implementation Progress</u></p> <p>According to the GA (Annex F, the APB Policy Phase-Out Plan), APB must reduce the amount of policy lending to zero at 31 December 2008, and from 30 March 2007 onwards APB shall not enter into any new Policy Lending. However, according to the APB portfolio, APB had granted new policy loans of KN 29.36 billion from August – November 2008. As of December 2008, the total policy lending portfolio accounted for KN 42 billion. This is a breach of the Governance Agreement by APB.</p> <p>Currently, these loans are classified as Performing Loans which is not in accordance with the regulation BOL 06 requiring any restructuring loans to be classified as Substandard Loans and to be provisioned accordingly.</p> <p>APB informed Director of BFSF, BOL, in writing regarding this incident on 20 January 2009 a letter No. 02/CD/2009</p> <p><u>Immediate Actions Required</u></p> <p>APB to make provisions in accordance with regulation BOL 06.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
<p>5.2 Measures Regarding Lending to Support Government Policy</p>	<p>5.2.1 APB undertakes to implement the APB Policy Lending Phase-Out Plan in Annex F of the GA in accordance with and the details set out therein, and specifically:</p> <p>(i) by 31 December 2006 to request BOL to authorize the write-off of the amounts specified in the APB Policy Lending Phase-Out Plan.</p>	<p><u>Implementation Progress</u></p> <p>APB requested write-off of the loss loans at 31 December 2006. Policy Loans not funded by international funders have been transferred to Nayoby Bank. See also Article 3.2 and Article 4.2</p> <p>BFSB, BOL agreed to the proposed write off on 13 Oct 2007 per request of APB in the amount of 52.23 billion kip, 348,100 USD and 14,500,000 Thai Baht. Upon the receipt of BOL's approval, the APB BOD approved the write off in their ordinary meeting on 13 November 2007.</p> <p>The Policy Lending Phase Out Plan requires APB to continue to write off loss loans on a year by year basis. APB has provisionally estimated the write-off for 2008 to be KN 24.6 billion.</p> <p><u>Immediate Actions Required</u></p> <p>Write-offs for December 2008 to be confirmed by the external audit and made in accordance with Annex F.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(ii) by 31 December 2006 make the necessary entries in its books of account to write off the loss loans approved as write off loans by BOL and to make general and specific provisions in the accounts as specified in the APB Policy Lending Phase-Out Plan.	<p><u>Implementation Progress</u></p> <p>Upon receipt of APB Board approval, APB made the entries for 2006 in its books of accounts.</p> <p>APB submitted a request to the MOF to provide its no objection to the write off on 20 Dec 2007 No. 668/APB.</p> <p>MOF issued its concurrence letter to BOL regarding to its agreement on the write-off of the loss loans on APB's balance sheet at 31 Dec 2006 dated 13 March 2008 No 0553/MOF Cabinet Office.</p> <p>APB has made provisions in accordance with regulation BOL 06.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>
	(iii) from 31 March 2007 not to enter into any new Policy Loan funding agreement with any party other than BOL including any International Funder or Other Source and not to engage in any new policy lending.	<p><u>Implementation Progress</u></p> <p>APB has reported entering into new Policy Lending in the amount of KN 29,36 billion from August – November 2008. According to APB, the loans were one-time off emergency loans from a Government special fund to affected clients in flooded areas in Vientiane Capital and Bolikhamxay province during August-October 2008. As of December 2008, the total policy lending portfolio accounted for KN 42 billion</p> <p><u>Immediate Actions Required</u></p> <p>APB to strictly comply with Policy Lending Phase-Out Plan</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(iv) minute all Board and Management Committee meetings dealing with Policy Lending and provide copies to BOL and ADB.	<p><u>Implementation Progress</u> APB has provided full minutes of Board and Management Committee meetings including those authorising loan write-offs to TA on 16 January 2008.</p> <p><u>Immediate Actions Required</u> None</p>
5.3 Duties and Obligations of the Board	<p>5.3.1 Each of APB's Directors acknowledges that he holds a position of trust and has accepted responsibility to achieve APB's corporate objective in manner consistent with laws and regulations, including the Decree Law on Commercial Banks, the BOL prudential regulations and the governance policies of APB. Each of APB's Directors undertakes to act in good faith and in the best interest of APB, not in his own personal interest or those of any special interest group.</p> <p>5.3.2 By 30 June 2008 each of APB's Directors agrees to undergo a best practice governance training program provided by the IBA or other corporate governance specialist and to subsequently apply the best practice principles to his conduct as a Director.</p>	<p><u>Implementation Progress</u> APB has appointed new directors. Each Director has signed a personal undertaking to abide by the GA on 17 Jan 2008 No 03 and 12/APB.BOD.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> All of APB's directors have undergone governance training.</p> <p><u>Immediate Actions Required</u> None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>5.3.3 Each of APB's Directors acknowledges that he has the following fundamental duties and responsibilities to: (a) ensure the financial integrity and soundness of APB and safeguard the interests of all stakeholders; (b) formulate corporate strategy by considering the principle risks faced by APB and review and approve the corporate plans formulated by management in the context of the institutional mission; (c) delegate to management operating authorities and approval limits and supervise the execution of the corporate plans; and (d) ensure the appointment of skilled Management, their development and evaluation, and succession planning for key officers.</p> <p>5.3.4 Specifically, the Directors undertake, in their individual capacities as well as collectively, to</p> <p>(i) faithfully carry out their duties and responsibilities and exercise their powers and discretions consistent with the APB Restructuring Plan and in such a way as to allow APB to fulfil its obligations under the GA.</p> <p>(ii) appoint qualified Management and actively monitor their performance;</p> <p>(iii) establish and ensure compliance with policies necessary for the effectiveness of the APB Restructuring Plan and the corporate plans approved from time to time by the Board;</p> <p>(iv) approve and adopt full and complete operational policies in accordance with Article 5.4 of the GA;</p> <p>(v) approve and adopt yearly performance targets, and participate fully in performance reviews and corporate</p>	<p><u>Implementation Progress</u></p> <p>APB has appointed new directors.</p> <p>Each Director has signed a personal undertaking to abide by the GA on 17 Jan 2008 No 03 and 12/APB.BOD</p> <p>See also Articles 5.4 and 5.5</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>APB has appointed new directors.</p> <p>Each Director has signed a personal undertaking to abide by the GA.</p> <p>See also Articles 5.4 and 5.5</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(vi) plan and annual Performance Target updating; monitor the status of (a) the portfolio of loans, (b) NPL resolution, (c) internal audit and compliance, (d) human resource development, (e) IT development, and (f) business performance and take appropriate remedial action, and cooperate with BOL in further restructuring of APB in case of continued loss making activity;</p> <p>(vii) provide external auditors and consultants with full information and unhampered access to staff, management and other APB officers.</p> <p>(viii) provide information to ADB if requested such that it can monitor progress under this Governance Agreement including the minutes of meetings of the Board of Directors and any Board or Management Committees.</p>	

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>5.3.5 The Board will meet monthly or more frequently if required by the dictates of business and the efficient execution of this Agreement. The IBA will attend meetings of the Board.</p>	<p><u>Implementation Progress</u></p> <p>APB first board meeting for the newly appointed board was held on 25 December 2007. During 2008, APB Board held 4 ordinary meetings (14/03/2008, 09/05/2008, 30/06/2008, and 25/12/08). In addition, an extra-ordinary meeting was held on 06/03/2008.</p> <p>Although APB Board had not met monthly, all Board members were involved in the decision process on major issues.</p> <p>Following the commencement of duties on 1 September 2008, neither IBA nor ABAs attended any BoD meetings. During mid October – mid February 08, the IBA was on leave.</p> <p>Since mid May 2009, APB is absence of an IBA. It is not clear when the new IBA will arrive.</p> <p>Minutes of BOD meetings have been provided to TA 4827.</p> <p><u>Immediate Actions Required</u></p> <p>APB to ensure that Board Agenda on an ongoing basis at each meeting addresses all outstanding actions under the GA.</p> <p>APB to ensure the IBA is in attendance at Board meetings following commencement of duties.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	5.3.6 The Board will provide the IBA and ABAs with full information and unhindered access to staff, management and other APB officers, and meetings of Board Committees, Management Committees and the Board of Directors.	<p><u>Implementation Progress</u></p> <p>The IBA commenced work on 1 September 2008 and resigned on 15 May 2009. There is currently no IBA.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>
5.4 Specific Board Approvals	<p>5.4.1 By 31 December 2007 the Board will approve the APB ICT Upgrade Plan.</p> <p>5.4.2 By 30 June 2008 the Board will adopt and approve a revised organizational structure appropriate to APB's restructured operations together with divisional mandates and job descriptions for all APB employees.</p>	<p><u>Implementation Progress</u></p> <p>APB ICT Upgrade Plan was approved (130/APB.BOD on 13/08/2007).</p> <p>On 16/10/2008 a contract was signed between APB and 3i Infotech. On 3 November 2008, 3i Infotech deployed its IT specialists to APB to implement the contract in two phases:</p> <p>Phase I. Implementation at HO and 3 Pilot Branches.</p> <p>Phase II. Roll-out the system to the remaining 39 branches and sub-branches, August 2009-October 2010.</p> <p><u>Implementation Progress</u></p> <p>The APB Board has adopted and approved a revised organisational structure, divisional mandates and job descriptions.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	5.4.3 By 30 June 2008 the Board will adopt and approve documented best practice credit policies and procedures satisfactory to ADB.	<p><u>Implementation Progress</u> The APB Board has adopted and approved revised credit policies and procedures on 16 May 2008.</p> <p><u>Immediate Actions Required</u> None.</p>
	5.4.4 By 31 March 2009 the Board will adopt and approve documented best practice pricing policies and procedures.	<p><u>Implementation Progress</u> The APB Board has adopted and approved revised practice pricing policies and procedures that move towards risk based pricing.</p> <p><u>Immediate Actions Required</u> None.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>5.4.5 By 30 June 2008 the Board will adopt and approve documented best practice human resources management policies and procedures.</p>	<p><u>Implementation Progress</u></p> <p>The APB Board has adopted and approved revised human resources management policies on 30/06/2008. APB has completed first and second performance assessments of all staff and identified training needs. The third performance assessment is being finalized.</p> <p>APB has prepared a 2009 – 2011 training plan using the bank-wide performance assessment to identify training needs. The plan covers training in 28 job skill areas and six management skill areas. A model was developed to assist APB with the production of a detailed training plan. This training plan has been incorporated in the APB 2009-2011 corporate plan.</p> <p>APB has prepared a performance related bonus scheme for consideration by its BOD.</p> <p><u>Immediate Actions Required</u></p> <p>The bonus system to be endorsed by BOD.</p> <p>APB continues to implement HR policies and procedures.</p> <p>APB to endorse the training plan and execute it effectively and efficiently</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>5.4.6 By 31 March 2009 the Board will adopt and approve documented best practice risk management policies and procedures.</p>	<p><u>Implementation Progress</u> APB BoD has adopted and approved the risk management policies and procedures on 18 May 2009 No.17/BOD.APB.</p> <p><u>Immediate Actions Required</u> The replaced IBA to review the adopted risk management policies and procedures ensuring conformance with best practice.</p>
	<p>5.4.7 By 31 March 2009 the Board will adopt and approve documented best practice accounting policies and procedures.</p>	<p><u>Implementation Progress</u> The MIS/Accounting Specialist visited APB on 16 December 2008. Accounting policies and procedures were not adopted by APB BOD on 01 July 2009.</p> <p><u>Immediate Actions Required</u> MIS Specialist to revise accounting policies and procedures ensuring conformance with best practice.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>5.4.8 By 31 March 2009 the Board will adopt and approve documented best practice ICT policies and procedures.</p> <p>5.4.9 Policies and procedures approved and adopted by the Board under this Article may replace policies set out in Annex C to the GA.</p>	<p><u>Implementation Progress</u></p> <p>On 3 November 2008, 3i Infotech deployed its IT specialists to APB to commence the contract.</p> <p>According to the revised schedule, the expected date for Pilot/Parallel running of the system is July 2009. Phase 1 of the implementation will be completed by August 2009. Phase 2 will commence immediately after the completion of Phase 1.</p> <p>APB BoD has adopted and approved the ICT policies and procedures on 30 April 2009.</p> <p><u>Immediate Actions Required</u></p> <p>APB to focus on oversight and quality control of the contract implementation</p> <p>See Annex C</p>
<p>5.5 Duties and Obligations of the Management</p>	<p>5.5.1 The Management undertake, in their individual capacities, as well as collectively, to:</p> <p>(i) exercise their powers and discretions, within their mandated authority, to allow APB to fulfil its obligations under the GA and the APB Restructuring Plan;</p>	<p><u>Implementation Progress</u></p> <p>This is an ongoing task</p> <p><u>Immediate Actions Required</u></p> <p>Refer above and below</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(ii) strengthen bank officer responsibility by ensuring that every officer acts within his/her authority and is required to sign off in respect of proposed actions or recommendations, with those signatures being subject to review by higher APB officials or by the Directors for those decisions requiring Board approval;	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below</p>
	(iii) implement APB's operational policies and procedures in all functional areas and carry out other actions as approved by the Board from time to time including but not limited to those specific policies set out in Annex C to the GA;	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below</p>
	(iv) ensure that APB officers faithfully implement the policies and procedures and other actions approved by the Board from time to time and the APB Restructuring Plan; and	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below</p>
	(v) ensure that they and APB officers prioritize their activities in a manner that focuses on areas that will mitigate losses and loss-making activities.	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(vi) provide external auditors and consultants on a timely basis with such information as may reasonably be requested for them to carry out their duties efficiently and effectively and to fully discharge their TOR and afford them unhampered access to staff, management and other APB officers for the purposes of their assigned work;	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below</p>
	(vii) prepare internal management reports, annual financial statements and accounts and arrange the annual external audit; and	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below</p>
	(viii) provide information to ADB if requested such that they can monitor progress under this Governance Agreement including the minutes of meetings of the Board of Directors and any Board or Management Committees.	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> Refer above and below.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
<p>5.6 Establishment of Board Committees and Their Roles</p>	<p>5.6.1 By 31 March 2008, the Board will:</p> <p>(i) establish two Board committees to undertake delegated duties from the full Board as described in Annex B, namely: (i) the Audit, Risk Management and Prudential Compliance Committee and (ii) the Executive Compensation and Management Development and Compensation Committee and appoint three members, none of whom shall be the Managing Director, to each Committee;</p> <p>(ii) ensure that these Committees meet quarterly or more frequently if required by the dictates of business and the execution of the GA; and</p> <p>(iii) ensure that relative to each Committee duty, there is a written agenda for each meeting and meeting minutes recording all Committee decisions are distributed promptly to all senior management of APB under the signature of the Board Chairman.</p>	<p><u>Implementation Progress</u></p> <p>On 4 January 2008, the APB BOD established two Board Committees: the Audit, Risk Management and Prudential Compliance Committee and the Executive Compensation and Management Development and Compensation Committee with mandates in conformance with the GA.</p> <p>During 2008, ARMPPCC held no meetings and one meeting was held in April 2009. MDCC held one meeting in 2008 and one in 2009. Facilitation of the functioning of the committees is the responsibility of the IBA.</p> <p><u>Immediate Actions Required</u></p> <p>IBA to assist APB to ensure the functioning of all committees. Meetings to be held regularly.</p> <p>APB to provide minutes of all committee meetings in compliance with GA requirements.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
<p>5.7 Establishment of Management Committees and Their Roles</p>	<p>5.7.1 By 31 December 2007, the Board will:</p> <p>(i) establish the three management committees with the duties described in Annex B with the Managing Director as Chairperson and with appropriate membership from senior management, namely: (i) the Senior Management Committee, (ii) the Head Office Credit Committee; and (iii) the Asset and Liability Management Committee;</p> <p>(ii) ensure that these Committees meet monthly or more frequently if required by the dictates of business and the execution of the GA; and</p>	<p><u>Implementation Progress</u></p> <p>APB has established the management committees. Facilitation of the functioning of the committees is the responsibility of the IBA.</p> <p><u>Immediate Actions Required</u></p> <p>IBA to assist APB to ensure the functioning of all committees. Meeting to be held regularly.</p> <p>APB to provide minutes of all committee meetings in compliance with GA requirements.</p> <p><u>Implementation Progress</u></p> <p>Following the establishment on 03/08/07 (Appointment No. 129/BoD), the SMC held 6 meetings. The meetings were held irregularly.</p> <p>HOCC has held regular weekly meeting.</p> <p>Following commencement on 03/08/07 (Appointment No. 121/BoD) ALMC held five meetings (on 08/02/2007, 31/03/2008, 22/07/2008, 27/02/2009 and 17 June 2009).</p> <p><u>Immediate Actions Required</u></p> <p>As above</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(iii) relative to each Committee duty, there is a written agenda for each meeting and meeting minutes recording all Committee decisions are distributed promptly to all senior management of APB under the signature of the Managing Director.	<p><u>Implementation Progress</u> Meeting minutes have been provided to TA4827</p> <p><u>Immediate Actions Required</u> As above</p>
<p>B 1</p> <p>The Audit, Risk Management and Prudential Compliance Committee</p>	<p>B.1.1 The duties of the Audit, Risk Management and Prudential Compliance Committee of the Board are to:</p> <p>(i) recommend to the Board the appointment, promotion and compensation of officers and staff in APB's Internal Audit Unit; and</p> <p>(ii) guide the Internal Audit Unit in the preparation of the annual, bank-wide internal audit plan, and recommend to the Board an annual bank-wide audit plan, covering both operational and financial audits, with special emphasis on ensuring adequate internal controls and accuracy in the presentation of APB's financial statements.</p> <p>(iii) evaluate the findings of the Internal Audit Unit and recommend corrective actions and modifications in internal controls to the Board;</p> <p>(iv) recommend to the Board the appointment of the independent external auditors;</p>	<p><u>Implementation Progress</u> APB has appointed the board committees in conformance with the GA. APB has established a mandate and job descriptions for the Internal Audit Unit consistent with the GA and best practice. APB has appointed officers who are experienced and qualified consistent with the requirements of the mandate and job descriptions. November 2008, APB attended one seminar organized by IBA covering Audit Committee oversight role, audit process and structure.</p> <p><u>Immediate Actions Required</u> APB to prepare audit plan for Committee and Board approval. To be evidenced in BOD/committee meeting minutes. To be evidenced in BOD/committee meeting minutes.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(v) Evaluate APB's credit, liquidity, interest rate, foreign exchange, operational, and environmental risk management policies and procedures and recommend to the Board appropriate modifications in risk management policies and procedures; and</p> <p>(vi) present to the Board findings of independent external auditors and BOL supervisors including prudential compliance findings and recommend to the Board any corrective Immediate Actions Required to address non-compliance.</p>	<p>To be evidenced in BOD/committee meeting minutes.</p> <p>To be evidenced in BOD/committee meeting minutes.</p>
<p>B 2</p> <p>The Management Development and Compensation Committee of the Board</p>	<p>B.2.1 The duties of the Management Development and Compensation Committee of the Board are to:</p> <p>(i) identify shortfalls in the expertise required to carry out management functions at all levels in the organization including branches with reference to APB's organizational unit mandates and job descriptions.</p> <p>(ii) coordinate the recruitment of managers to satisfy the expertise requirements.</p> <p>(iii) develop and recommend to the Board a management</p>	<p><u>Implementation Progress</u></p> <p>APB has established the board committees in conformance with the GA.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>APB has completed two rounds of a bank-wide performance assessment covering January –June, and July to December 2008. With the assistance of TA4827, APB conducted the data entry and analysed the performance assessment data for all staff. Performance assessment has lead to recommendations on training needs. The training plan and budget for 2009-2011 has been prepared and incorporated in the 2009-2011 Corporate</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>succession plan.</p> <p>(iv) review management development and training plans and recommend any modifications required to the Board to ensure consistency with APB's corporate objectives.</p> <p>(v) review management and staff performance standards and recommend any modifications required to the Board to ensure consistency with APB's corporate objectives.</p> <p>(vi) recommend to the Board the compensation packages for management and staff.</p>	<p>Plan. It is expected to be endorsed by the next BoD meeting scheduled in August 2009.</p> <p><u>Immediate Actions Required</u></p> <p>APB to complete and implement training plan.</p>
<p>B 3 The Senior Management Committee</p>	<p>B.3.1 The duties of the Senior Management Committee are to:</p> <p>(i) ensure the provisions of the Governance Agreement are complied with at an operational level;</p> <p>(ii) ensure effective and efficient implementation of the APB Restructuring Plan;</p>	<p><u>Implementation Progress</u></p> <p>APB is currently non-compliant on some provisions of the GA</p> <p><u>Immediate Actions Required</u></p> <p>The senior management committee to ensure that it monitors continuing progress with compliance until fully achieved.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(iii) ensure effective and efficient implementation of the APB Policy Lending Phase-Out Plan.	<p><u>Implementation Progress</u></p> <p>APB has transferred policy lending to Nayoby Bank. The outstanding issues are write-off of loss loans and the workout of out of remaining NPLs</p> <p>APB Board confirmed the write-off of loss loans in APB at the ordinary meeting held on 13 Nov 2007. Workout of NPLs is in progress.</p> <p>MOF issued its concurrence letter to BOL regarding to its agreement on the write-off of the loss loans on APB's balance sheet at 31 Dec 2006 dated 13 Mar 2008 No 0553/MOF.Cabinet Office</p> <p>APB confirmed the write off to all branches in order to give clarity to the work-out plan.</p> <p><u>Immediate Actions Required</u></p> <p>APB to roll-out workout system to branches.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(iv) review the policies and procedures to be prepared, approved, and adopted under Articles 5.4.5, 5.4.6 and 5.4.7 of the GA prior to submission to the Board for approval and adoption.	<p><u>Implementation Progress</u></p> <p>APB has reviewed best practice HR policies and procedures and adopted improvements.</p> <p>APB reviewed and adopted best practice risk management policies and procedures on 18/05/2009 No. 17/BoD.APB.</p> <p>APB will review best practice accounting and internal audit policies and procedures with MIS/Accounting Specialist assistance.</p> <p><u>Immediate Actions Required</u></p> <p>APB reviews risk management, accounting and internal audit policies and procedures on appointment of the IBA, ABAs and MIS/Accounting Specialist.</p>
	(v) ensure effective and efficient implementation of the APB ICT Upgrade Plan.	<p><u>Implementation Progress</u></p> <p>3i is currently implementing the ICT Upgrade Plan. According to the revised schedule, Phase 1 of the implementation will be completed by August 2009. Phase 2 will commence immediately after the completion of Phase 1.</p> <p><u>Immediate Actions Required</u></p> <p>APB to address any issues with ADB/others.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(vi) ensure the timely production of APB's corporate plans.</p> <p>(vii) monitor the financial performance of APB in relation to corporate plans.</p>	<p><u>Implementation Progress</u></p> <p>APB's corporate plan 2008-2010 was approved by the APB BOD. APB has appointed the corporate planning team for the 2009-2011 Corporate Plan (CP). The team is comprised of the senior management of APB and divisional heads. As per APB timetable, the 2009 – 2011 CP is expected to be finalized and approved by its Board of Directors (BOD) by August 2009.</p> <p><u>Immediate Actions Required</u></p> <p>APB to finalize 2009-2011 corporate plan.</p>
	<p>(viii) ensure effective and efficient implementation of Technical Assistance support of the above mentioned plans.</p>	<p><u>Implementation Progress</u></p> <p>APB has been responsive to TA needs.</p> <p><u>Immediate Actions Required</u></p> <p>APB to continue address all immediate actions in the GA</p>
	<p>(ix) ensure effective and efficient implementation of all operational policies and procedures approved by the Board from time to time and where necessary corrective action to remedy non-compliance.</p>	<p><u>Implementation Progress</u></p> <p>The APB Board has approved credit and HR operational policies and procedures.</p> <p><u>Immediate Actions Required</u></p> <p>None.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(x) ensure timely, accurate and complete reporting to BOL and others as required under the Governance Agreement.	<p><u>Implementation Progress</u> BOL has provided APB with reporting formats.</p> <p><u>Immediate Actions Required</u> APB to report as required under Annex E of the GA.</p>
	(xi) develop and recommend TOR for engagement of independent external auditors.	<p><u>Implementation Progress</u> The 2007 external audit has been completed. The BOD approved the accounts on 30 June 2008.</p> <p>The 2008 external audit has been carried out by KPMG and the BOD approved the accounts on 22 July 2009.</p> <p><u>Immediate Actions Required</u> None</p>
	(xii) review and action all matters material to the improvement of APB's financial position and business operations.	<p><u>Implementation Progress</u> This is an ongoing task. The assistance of the IBA is required going forward.</p> <p><u>Immediate Actions Required</u> None</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
<p>B 4</p> <p>The Head Office Credit Committee</p>	<p>B.4.1 The duties of the Head Office Credit Committee are to:</p> <p>(i) recommend credit policies and procedures and the delegation of discretionary credit approval authority to the Board.</p>	<p><u>Implementation Progress</u></p> <p>APB has instituted restrictions on delegated authorities and restrictions on lending. Improved credit policies and procedures are under testing.</p> <p>Upon the implementation of approved credit policy for more than six months, a directive No.13/APB dated 27 Feb 2009 regarding the adjustment to credit approval authority has been issued as follows:</p> <ul style="list-style-type: none"> - Branch with NPL more than 3%, the credit approval authority not exceeding KN 200 million, - Branch with NPL less than 3%, the credit approval authority not exceeding KN 300 million. - Delegated credit approval authority to Management is KN 400 million. <p><u>Immediate Actions Required</u></p> <p>APB to continue to roll-out credit policies and procedures</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(ii) recommend credit and deposit pricing and portfolio performance targets to the Board.</p> <p>(iii) review the policies and procedures to be prepared, approved, and adopted under Article 5.4.3 of the GA prior to submission to the Board for approval and adoption.</p> <p>(iv) ensure the policies in Annex C, C1 and C2 of the GA are complied with.</p> <p>(v) advise the Board in writing on refinancing or restructuring of any credits.</p> <p>(vi) advise the Board in writing on credit matters that require Board consideration.</p>	<p><u>Implementation Progress</u> APB has adopted new pricing policies based on customer risk grading. Directive No. 16/APB.2009 dated 02 March 2009 indicates that the newly adjusted pricing policies of APB remain on risk grading basis and competitive with other commercial banks.</p> <p><u>Immediate Actions Required</u> APB to continue to refine pricing policies with IBA assistance</p> <p><u>Implementation Progress</u> Revised credit policies and procedures including those for loan work out have been approved.</p> <p><u>Immediate Actions Required</u> APB to roll-out system to branches. See section on Annex C.</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Implementation Progress</u> This is an ongoing task</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(v) submit a list to the Board of NPL cases referred to court in each month.</p> <p>(vii) ensure that quarterly reports on loan classification and regrading are prepared and submitted within 15 days of the end of each quarter together with recommendations for any remedial action required in relation to credit risk management and recommendations for provisioning and write-offs.</p> <p>(viii) oversee the activities of the workout units established under the APB Restructuring Plan for the duration of the plan.</p>	<p><u>Implementation Progress</u> This is an ongoing task.</p> <p><u>Implementation Progress</u> This is an ongoing task.</p> <p><u>Implementation Progress</u> This is an ongoing task.</p>
B 5 Asset and Liability Management Committee	B.5.1 The duties of the Asset and Liability Management Committee are to:	<p><u>Implementation Progress</u> APB has established the management committees but these do not yet function fully and effectively. The assistance of the IBA is required going forward.</p> <p><u>Immediate Actions Required</u> IBA to assist ALCO.</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(i) advise and make recommendations to management and the Board on liquidity management, balance sheet structure, protection of APB's name and reputation, risk management, maintenance of profitability targets, maintenance of APB's capital, and internal controls.</p> <p>(ii) guide management in ensuring regulatory compliance, accurate reporting and effective resolution of regulatory exceptions.</p> <p>(iii) review the policies and procedures to be prepared and approved and adopted under Articles 5.4.4 and 5.4.7 of the GA prior to submission to the Board for approval and adoption.</p> <p>(iv) ensure the policies in Annex C, C3 to the GA are complied with.</p> <p>(v) manage liquidity, including: control of cash flow; monitoring of un-drawn lending commitments; control of short term borrowing capacity; management of a portfolio of liquid assets (securities); and contingency planning for emergencies</p>	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Immediate Actions Required</u> APB to carry out reviews with IBA.</p> <p>See section C3</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(vi) manage balance sheet structure, including: establishment of limits for the maximum proportion of the portfolio that can be committed to any one industry, group of industries, geographical area or category of borrower, with a view to diversifying the portfolio of assets and liabilities.</p> <p>(vii) manage as required the positions of balance sheet items denominated in foreign currencies.</p> <p>(viii) establish as required treasury dealing limits, including prudential limits for exposures for: spot and forward foreign exchange, money market activities, and other traded instruments</p> <p>(ix) protect APB's name and reputation, specifically monitoring and setting limits as required for the degree to which APB will support third party borrowings, and the issuance and endorsement of promissory notes, bills of exchange, other commercial paper and guarantees.</p> <p>(x) identify the risks faced by APB, quantifying (calculating the size of) those risks, imposing limits on exposure to those risks, and reviewing the exposures daily by viewing financial reports.</p>	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(xi) ensure that the BOL requirements for capital adequacy are progressively met in accordance with corporate plans and identify the need for additional capital and the type and nature of the capital.</p> <p>(xii) ensure the integrity of APB's procedures, systems, physical controls, and APB's compliance with BOL regulations, undertake stress testing, and ensure there is a tested disaster management plan in effect.</p> <p>(xiii) review and recommend action on all matters material to the improvement of APB's risk exposure.</p>	<p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> This is an ongoing task</p> <p><u>Immediate Actions Required</u> None</p>
<p>5.8 Management Appointments</p>	<p>5.8.1 By 31 December 2007 APB will appoint qualified heads of all branches, departments, divisions and units according to a predefined selection process that includes the assessment of candidates in relation to APB's approved organizational unit mandates and the specific qualifications and experience required by APB's approved job descriptions.</p> <p>5.8.2 APB will assess the performance of all staff in accordance with the policies for human resources management put in place in accordance with Article 5.4.5 of the GA.</p>	<p><u>Implementation Progress</u> APB has completed two performance assessments of all staff. A training programme to fill job skill gaps for heads of branches, departments and divisions has been completed.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> APB has completed two performance assessments of all staff.</p> <p><u>Immediate Actions Required</u> None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
<p>5.9 Capital Increase</p>	<p>5.9.1 Management will implement measures to:</p> <p>(i) meet operational Performance Targets to trigger MOF recapitalization in accordance with Article 3.7.1 of the GA and the Performance Assessment criteria described in Article 6.2 of the GA; and</p>	<p><u>Implementation Progress</u></p> <p>APB has undertaken a performance assessment in terms of Article 6.2 of the GA.</p> <p>BOL has undertaken an APB performance assessments covering January – June 2008 and July – Dec 2008.</p> <p><u>Immediate Actions Required</u></p> <p>Parties to the GA to agree the revised Performance Targets and Performance Indicators 2009-2011.</p> <p>APB to prepare self assessment and at subsequent half-yearly intervals in accordance with GA requirements.</p> <p>BOL to prepare performance assessment of APB at subsequent half-yearly intervals in accordance with GA requirements.</p>
<p>5.10 Financial Audit</p>	<p>5.10.1 APB will engage an independent audit firm, acceptable to ADB, to conduct annual external audits of APB using IFRS during the Restructuring Period. The costs of the audits will be paid by APB. However, should the cost of the annual audits exceed what APB could reasonably absorb, APB may request assistance from MOF and BOL to pay audit costs, through donor sources if necessary.</p>	<p><u>Implementation Progress</u></p> <p>APB has engaged E&Y FY 2007 and KPMG for FY 2008.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>5.10.2 APB will develop the TORs for the annual audits in consultation with the BOL and acceptable to ADB. TOR will include:</p> <p>(i) evaluating: compliance with this Agreement. achievement of Performance Targets. compliance with the Operational Policies set out in Annex C to the GA. policies, procedures, and plans approved and adopted by the Board from time to time under Article 5.4 of this Agreement, including such policies that may replace those in Annex C to the GA.</p> <p>(ii) formulating recommendations for operational improvements during the subsequent year.</p>	<p><u>Implementation Progress</u> APB prepared ToR for external auditors that were reviewed by TA 4827 and ADB</p> <p><u>Immediate Actions Required</u> None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	5.10.3 By the 31 August 2007, 30 June 2008, 30 June 2009 and 30 June 2010, APB will ensure that the annual financial audit is completed and the annual report and financial statements are approved by the Board.	<p><u>Implementation Progress</u></p> <p>APB approved the 2007 audit on 30 June 2008 and approved the 2008 audit on 22 July 2009.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>
5.11 Additional Duties	5.11.1 APB will carry out all relevant duties and obligations under Articles 6 and 7 below.	See Articles 6 and 7
Annex C Operational Policies	APB will adhere to the following policies until such time as they are replaced by Board approved best practice policies and procedures under any approval given in respect of Articles 5.4.4, 5.4.5, 5.4.6, 5.4.7 or 5.4.8 of the GA. If any regulation or instruction issued by BOL is contrary to any policy herein, APB shall adhere to the regulation or instruction issued by BOL.	
C 1 Credit Policies	<p>APB will:</p> <p>(i) Cease lending other than the provision of renewal credits to existing customers with no history of delinquency if the Portfolio at Risk in the on balance sheet portfolio of Old Stock Loans increases above 15 percent or the Portfolio at Risk in the on balance sheet portfolio of New Loans increases above 15 percent.</p>	<p><u>Implementation Progress</u></p> <p>APB has issued instructions to branches to stop lending in non-compliant branches (ignoring the effects of residual policy loans). APB has provided a breakdown of the portfolio by branch.</p> <p>APB has introduced a system of monthly reporting to be validated by external audit.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>
	(ii) Other than as provided for in the terms of any existing agreement with an International Funder, make only short-term loans for working capital of up to one-year	<p><u>Implementation Progress</u></p> <p>APB has issued instructions to branches to this effect.</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>and medium-term loans for investment of up to three years.</p> <p>(iii) Other than as may be provided for in relation to microfinance loans, not make any loan that is not collateralized either by marketable collateral or in the case of group loans by group guarantee</p> <p>(iv) Not make any new loan to any customer that has any loan outstanding with APB that is classified as substandard, doubtful or loss in accordance with Regulation BOL 06 other than as is provided for in the APB Policy Lending Phase-Out Plan.</p> <p>(v) Delegate credit approval authority for new loans to branch managers not exceeding Kip 100 million to major branches in Vientiane Municipality, Vientiane Province, Savannakhet and Luang Prabang and Kip 80 million for other branches.</p>	<p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>APB reports complied.</p> <p>These provisions are included in APB's credit policies and procedures.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>APB has issued instructions to branches to this effect.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>Prior to 2009, APB has issued a directive to this effect.</p> <p>Pakse is included in the branches with a delegated authority of Kip 100 million.</p> <p>According to the directive No.13/APB dated 27 Feb 2009, credit approval authorities were increased as follows:</p> <ul style="list-style-type: none"> - For branches with NPL more than 3%, the credit approval authority shall not exceed KN 200 million, - For branches with NPL less than 3%, the credit approval authority shall not exceed KN 300 million. - Delegated credit approval authority to Management is

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
		<p>KN400 million.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>
	<p>(vi) Retain the approval authority for all restructuring, rescheduling and refinancing of credits with Head Office.</p> <p>(vii) Not make any loans to any policy lending institution or mechanism or to any intermediate institution or mechanism for the purposes of transferring such funds to any policy lending institution or mechanism.</p>	<p><u>Implementation Progress</u></p> <p>APB has issued instructions to branches to this effect.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p><u>Implementation Progress</u></p> <p>APB reports complied.</p> <p><u>Immediate Actions Required</u></p> <p>None</p> <p>(Note: The Nayoby Bank Charter permits borrowing from state-owned commercial banks.)</p>
C 2 Portfolio Policies	<p>APB will:</p> <p>(i) Carry out quarterly credit review of all accounts.</p>	<p><u>Implementation Progress</u></p> <p>APB reports complied. All accounts are reviewed monthly and the loan workout status updated.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(ii) Carry out monthly review of all overdue accounts.</p> <p>(iii) Maintain a watch list in each branch of all loans that are Special Mention (overdue less than 90 days) and a control list of all loans that are Substandard (overdue more than 90 and less than 180 days) and carry out weekly review of all such accounts and record in writing monitoring and follow-up action taken.</p> <p>(iv) Make regular visits to delinquent borrowers to accelerate cash collection.</p> <p>(v) Not write-off bad debts without the prior written approval of the Board.</p>	<p><u>Implementation Progress</u> APB reports compiled and that all accounts are reviewed monthly and the loan status updated.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> Compliance to be determined, but the indication is not complied at present.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> APB reports compiled. Provision for regular visits is included in the APB credit policies and procedures. A system of monthly workout planning has been tested in Vientiane Branch and will now be rolled-out to other branches.</p> <p><u>Immediate Actions Required</u> Work out plans to be prepared and updated monthly</p> <p><u>Implementation Progress</u> Complied regarding policy loan write offs</p> <p><u>Immediate Actions Required</u> None</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(vi) Classify and where appropriate reclassify all loans strictly in accordance with Regulation BOL 06.	<u>Implementation Progress</u> APB reports complied. <u>Immediate Actions Required</u> None
C3 Financial Management Policies	APB will:	
	(i) Price deposit and lending rates to fully cover credit and administrative costs and a level of profitability as targeted in the corporate plans approved by the Board from time to time.	<u>Implementation Progress</u> In progress. <u>Immediate Actions Required</u>
	(ii) Price all other banking services and products to ensure that each service and product contributes to profitability.	APB to implementation work out plan <u>Implementation Progress</u> New products have been introduced. <u>Immediate Actions Required</u> None
	(iii) Not offer any new product or service without obtaining Board approval of a feasibility study, based on realistic assumptions, that demonstrates the product or service is profitable for APB.	<u>Implementation Progress</u> New products have been introduced. APB collaborated with Western Union on money transfers. <u>Immediate Actions Required</u> None

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	<p>(iv) Not assume any new foreign exchange risk;</p> <p>(v) Not distribute dividends, open branches, or undertake any capital expenditure other than that approved by the Board in the corporate plans.</p> <p>(vi) Not increase the establishment of APB other than as approved by the Board in the corporate plans.</p> <p>(vii) Prepare annual budgets and carry out monthly analysis of income and expenditure and variance with budget.</p>	<p><u>Implementation Progress</u> APB reports it has not entered into any new foreign borrowings.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> Compliance is reported.</p> <p><u>Immediate Actions Required</u> None</p> <p><u>Implementation Progress</u> In September 2007 APB engaged a significant number of new graduate staff replacing staff who has been transferred to NBB.</p> <p><u>Immediate Actions Required</u> Future recruitment to be against job vacancies and job descriptions</p> <p><u>Implementation Progress</u> APB reports complied.</p> <p><u>Immediate Actions Required</u> None</p>

Appendix B Status of Compliance with Tranche Release Conditions and the Governance Agreement by the Parties to the Agreement

Article	Overall Action Required	Implementation Progress and Actions Required at 31 July 2009
	(viii) Not transfer public deposits to or make deposits in any policy lending institution or mechanism or in any intermediate institution or mechanism for the purposes of transferring such deposits to the policy lending institution or mechanism.	<p><u>Implementation Progress</u></p> <p>APB reports complied. Note: the Nayoby Bank charter permits borrowing from state-owned commercial banks.</p> <p><u>Immediate Actions Required</u></p> <p>None</p>

Reporting and Performance Assessment

Article	Overall Action Required	Implementation Progress and Actions Required at 31 March 2009
<p>6.1 Performance Reporting</p>	<p>6.1.1 During the Restructuring Period, APB will provide quarterly performance reports within 30 days from the end of each quarter (with any necessary supporting documentation) in the form specified in Annex E hereto, and BFSD will assess APB's performance and prepare Performance Assessments.</p>	<p><u>Implementation Progress</u></p> <p>BOL has drafted and provided proforma to APB Notice No 59/BOL on 11 March 2008</p> <p>BOL has undertaken a performance assessment of APB covering January – June 2008. Currently BOL is preparing a performance assessment of APB covering July–Dec 2008.</p> <p>APB reports compliance with reporting requirements. 9 financial reports have been provided monthly to BOL from September–December 2008.</p> <p>Since January 2009, APB has had difficulties in providing the 9 financial reports as BOL has introduced new CoA for all commercial banks. BOL provided guidance at the end of June 2009. At the time of this report, APB could catch up and provided Jan-Jun 09 reports to BOL.</p> <p><u>Immediate Actions Required</u></p> <p>APB to continue with reporting requirements.</p> <p>APB to prepare self assessment and at subsequent half-yearly intervals in accordance with GA requirements.</p> <p>BOL to prepare subsequent half-yearly intervals in accordance with GA requirements.</p>
<p>6.1.2</p>	<p>Such Performance Assessments will evaluate performance in accordance with the criteria set in out Article 6.2 of the GA and will be subject to audit by the independent auditors.</p>	<p>As above</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 March 2009
	<p>6.1.3 To assist BFSD in the performance assessment process, within one month of the end of the respective semi-annual reporting period specified in Annex A to the GA APB will complete and submit to BOL a self-evaluation of performance on a semi-annual basis.</p>	<p>As above</p>
	<p>6.1.4 The Board and Management of APB will notify the other Parties as soon as the Board or Management becomes aware that APB has committed any material failure to comply with its obligations under this Agreement, or that circumstances have arisen making it likely that such a material failure will occur.</p>	<p><u>Implementation Progress</u> APB is non-compliant with some facets of the GA at the date of reporting. These are indicated in APB's self-assessment.</p> <p><u>Immediate Actions Required</u> APB to continue to provide self assessments in accordance with the GA</p>

Article	Overall Action Required	Implementation Progress and Actions Required at 31 March 2009
<p>6.2 Performance Assessment</p>	<p>6.2.1 Performance will be assessed against the following criteria:</p> <ul style="list-style-type: none"> (i) compliance with the requirements of the GA. (ii) compliance with policies and procedures approved and adopted by the Board from time to time in all functional areas including but not limited to the policies in Annex C to the GA. (iii) achievement of the overall minimum Performance Targets in Annex D. <p>6.2.2 By 30 December 2007, 30 June 2008, 30 June 2009 and 30 June 2010, APB, BOL and MOF will establish and revise or reconfirm Performance Targets in Annex D to the GA (for the Financial Years 2007, 2008, 2009 and 2010). The revision of these targets will be facilitated by the technical support and advice from the IBA.</p>	<p><u>Implementation Progress</u></p> <p>A semi-annual performance self assessment report covering January –June 2008 and July –December 2008 had been prepared by APB. A report covering Jan-Jun 2009 is being finalized.</p> <p>Parties to the GA agreed on the Performance Targets and Performance Indicators for 2008-2010 as per BOL (No. 223/BFSD dated 14/07/2008) and MOF (1467/MOF.CO dated 11/07/2008).</p> <p><u>Immediate Actions Required</u></p> <p>Parties to the GA to agree the Performance Targets and Performance Indicators for 2009-2011.</p> <p>APB to prepare self assessment and at subsequent half-yearly intervals in accordance with GA requirements.</p> <p>BOL to prepare subsequent half-yearly intervals in accordance with GA requirements.</p>
<p>6.3 Distribution of Documents</p>	<p>6.3.1 Copies of all reports or other documentation submitted by APB under the GA will be provided to all of parties to the GA.</p>	<p><u>Implementation Progress</u></p> <p>A central document collation system has been set-up.</p> <p><u>Immediate Actions Required</u></p> <p>APB to maintain system and distribute documents.</p>

Sanctions

Article	Overall Action Required	Implementation Progress at 31 March 2009
7.1 Failure to Comply	7.1.1 If APB fails to comply with any of the terms of the GA, BOL will impose penalties and sanctions authorized by law, regulations or this Agreement.	<u>Implementation Progress</u> APB is non-compliant with the GA. BOL has shown regulatory forbearance up to the date of reporting.
7.2 Wilful Violation	7.2.1 APB will dismiss any officer or employee who, after being put on notice, wilfully and knowingly fails to comply with any of the terms of the GA or with the policy or procedure established pursuant to this Agreement.	<u>Implementation Progress</u> No notices have been issued.
7.3 Failure to Perform	7.3.1 APB agrees to review all failures to perform in accordance with the GA and to take appropriate action against the officer or employee who is responsible. Such actions may include counselling, reprimand, reassignment, and demotion, reduction in pay or performance bonus, or dismissal. If in the review it is determined that the failure materially resulted from conditions beyond the control of the employee, APB will not take action against the employee but will put in place measures to ensure that the failure will not recur. The record of all such actions and measures will be maintained by APB and available for review by BOL and external auditors for the assessment of compliance with the requirements of the GA including the assessment of the appropriateness of the action taken by APB in each case of a failure to perform.	<u>Implementation Progress</u> APB has not yet undertaken any review of its failure to perform in accordance with the GA.

Article	Overall Action Required	Implementation Progress at 31 March 2009
<p>7.4 Imposition of Sanctions</p>	<p>7.4.1 The Parties agree that:</p> <p>(i) operational sanctions of the type described in Article 7.5 of the GA will be imposed if APB consistently fails: (a) to observe the operational policies and procedures adopted and approved by the Board from time to time including but not limited to the operational policies in Annex C to the GA, or (b) to comply with BOL regulations, or (c) achieve a satisfactory Performance Assessment as described in Article 6.2 to the GA.</p> <p>(ii) other penalties and sanctions, including financial penalties, legal remedies and termination of employees will be imposed as necessary by the appropriate authority upon notification of violations.</p>	<p><u>Implementation Progress</u></p> <p>No imposition of sanctions has been undertaken at the date of reporting.</p> <p>APB's performance during 2007 was assessed as satisfactory, meeting 75% of the satisfaction requirements. APB achieved 80% of the performance targets.</p> <p>According to the KPMG 2008 audit report, APB achieved 75% of all individual performance targets (except qualitative review of internal control and internal audit achieved 60%). However, APB exceeded the overall weighted performance target.</p> <p><u>Implementation Progress</u></p> <p>APB notified Director of BFSD, BOL, in writing regarding the new policy lending to flood affected victims, letter No. 02/CD/2009 dated 20 January 2009.</p>

Article	Overall Action Required	Implementation Progress at 31 March 2009
	<p>7.4.2 A Performance Assessment will be considered satisfactory only if, in the opinion of the independent auditors:</p> <p>(i) APB is materially compliant with the requirements of the GA or, where non-compliance has occurred, has put in place remedial measures that can reasonably be expected to prevent further recurrence of the non-compliance.</p> <p>(ii) APB is materially compliant with policies and procedures approved and adopted by the Board from time to time in all functional areas, including but not limited to the policies in Annex C to the GA, or where non-compliance has occurred, has put in place remedial measures that can reasonably be expected to prevent further recurrence of the non-compliance.</p> <p>(iii) APB has achieved its overall weighted performance target in Annex D to GA.</p> <p>(iii) APB has achieved 75% of the overall minimum Performance Targets in Annex D to the GA.</p>	<p>Implementation Progress</p> <p>The auditor's assessment for performance in 2008 was completed on 20 June 2008 and for performance in 2009 was completed on 20 July 2009.</p> <p>As verified by the auditors, APB achieved 80% of the financial targets for 2007. As a result, MOF injected KN 87.5 billion (50% of the APB's negative capital) on 30 July 2008.</p> <p>For 2008, APB achieved 75% of all individual performance targets (except qualitative review of internal control and internal audit achieved 60%). However, APB exceeded the overall weighted performance target set out in the GA.</p>

Article	Overall Action Required	Implementation Progress at 31 March 2009
<p>7.5 Operational Sanctions</p>	<p>7.5.1 In the event that BOL declares that APB is subject to operational sanctions for reasons described in Article 7.4.1 (i) of the GA, the Parties to the GA agree that:</p> <ul style="list-style-type: none"> (i) recapitalization will be deferred until such time as the failure is rectified. (ii) extended performance failures, particularly those that result from a failure to implement the agreed policies, may be dealt with through a change in Board members and Management. (iii) APB will immediately stop approving additional risk exposures to existing or new clients, other than those associated with prior commitments and obligations of APB to existing clients with no arrears in their current loan contracts. Such additional exposures shall not exceed Kip 30 million in aggregate per client without prior approval from the BOL. 	<p><u>Implementation Progress</u></p> <p>There are no operational sanctions at the date of reporting. APB has itself imposed controls on lending in branches that have in excess of 15 percent NPLs.</p>
<p>7.6 Financial Penalties and Legal Measures</p>	<p>7.6.1 If, in the sole judgment of BOL, APB has failed to implement the adopted and approved operational policies in full or has failed to meet the agreed upon Performance Targets as a result of either wilful misconduct or gross negligence of the officers or directors, BOL may impose financial penalties and take legal proceedings against APB, the Directors, Management, or on any combination of these.</p>	<p><u>Implementation Progress</u></p> <p>No wilful misconduct or gross negligence has been disclosed at the date of reporting.</p>

Article	Overall Action Required	Implementation Progress at 31 March 2009
7.7 Termination of Operations	<p>7.7.1 If APB has failed to meet the Performance Targets or to implement the adopted and approved operational policies and if, in the judgment of BOL, the continued operation of APB may adversely affect APB's depositors, creditors, customers, or the public funds invested in APB, BOL may (a) direct APB to take such actions that are necessary to wind up operations and liquidate remaining assets, (b) assume control of APB and manage its operations, or (c) appoint a controller to manage APB operations.</p>	<p><u>Implementation Progress</u></p> <p>APB's performance is to date assessed as satisfactory.</p>

APPENDIX C APPOINTMENT OF COUNTERPART STAFF AND COMMITTEES

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX C APPOINTMENT OF COUNTERPART STAFF AND COMMITTEES

BOL Counterpart (Nomination No 65/BoL dated 16 February 2007)

No	Name and Surname	Position	Department/Division
1	Dr Mr Akhom Praseuth	Deputy Director General	Banks and Financial Institution Supervision Dept
2	Mrs Keasone Manivong	Head of MFI Division	Microfinance Division (BFSD)
3	Ms Khamla Heaunmanivong	Technical Staff	APB Off-site Inspection Unit (BFSD)
4	Mr Soulisak Thamnouvong	Deputy Head, Monetary Policy and Foreign Exchange Division	Monetary Policy and Foreign Exchange Department

BOL Counterpart (Nomination No 544/BoL dated 21 August 2007)

No	Name and Surname	Position	Department/Division
1	Mr Sengduane Pannhasith	Director General	Banks and Financial Institutions Supervision Dept
2	Mrs Keasone Manivong	Head of MFI Division	Microfinance Division (BFSD)
3	Ms Khamla Heaunmanivong	Technical Staff	APB Off-site Inspection Unit (BFSD)
4	Mr Soulisak Thamnouvong	Deputy Head, Monetary Policy and Foreign Exchange Division	Monetary Policy and Foreign Exchange Department

BOL Counterpart (Nomination No 07/BoL dated 02 January 2008)

No	Name and Surname	Position	Department/Division
1	Mr Phouthaxay Sivilay	Director General	Banks and Financial Institution Supervision Dept
2	Mrs Keasone Manivong	Head of MFI Division	Microfinance Division (BFSD)
3	Ms Khamla Heaunmanivong	Technical Staff	APB Off-site Inspection Unit (BFSD)
4	Mr Soulisak Thamnouvong	Deputy Head, Monetary Policy and Foreign Exchange Division	Monetary Policy and Foreign Exchange Department

APB TA – 4827 Coordinating Committee (Nomination No 106/APB dated 20 July 2007)

No	Name and Surname	Position	Department/Division
1	Mr Phanthaboun Sayaphet	Deputy Managing Director	APB Executive
2	Mr Korrakane Sengaphay	Head of International Relation Section	Planning and International Cooperation Division
3	Mrs Phetsamay Sidachanh	Head of Human Resource Division	Head of Human Resource Division
4	Mr Vatthanasinh Praphasiri	Head of ICT Centre	ICT Centre

Revising/drafting Job Descriptions Committee (Nomination No 107/APB dated 20 July 2007)

No	Name and Surname	Position	Department/Division
1	Mr Bounsy Thanousing	Head of Division	Planning and International Cooperation Division
2	Mrs Bouakeo Khamsoiphou	Head of Division	Branch Supervision Division
3	Mr Souvanh Phommalongsin	Head of Credit	Credit Division
4	Mrs Somchanh Nanthavong	Head of Division	Accounting and Finance Division

5	Mr Amphone Aliyavongsing	Deputy Managing Director	
6	Mr Somphon Vongsavanh	Deputy Managing Director	
7	Ms Phetsamay Sidachanh	Head of Division	Human Resource Division
8	Mr Vatthanasin Praphasiri	Head of Centre	ICT Centre

Bidding Process and Upgrading of ICT/MIS System Committee (Nomination No 108/APB dated 20 July 2007)

No	Name and Surname	Position	Department/Division
1	Mr Phanthaboun Sayaphet	Deputy Managing Director	
2	Mr Vatthanasin Praphasiri	Deputy Head	ICT Centre
3	Mr Phounsinnongduangchanh	Deputy Head	Credit Division
4	Ms Thongoun Bounxaiseng	Deputy Head	Accounting Division

APB Training Unit (Nomination No 110/APB dated 24 July 2007)

No	Name and Surname	Position	Department/Division
1	Mr Sourthone Souphommavong	Head of Unit	Training Unit/HR Div
2	Mr Somphet Sisopha	Technical Officer	Human Resource Division

APB Marketing Unit (Nomination No 111/APB dated 24 July 2007)

No	Name and Surname	Position	Department/Division
1	Mr Tiengkham Vansilalom	Head of Unit	Marketing Section, Credit and Marketing Div
2	Mr Vannavong Soundala	Technical Officer	Marketing Section, Credit and Marketing Div

APB NPL Workout Unit Committee (Nomination No 114/APB dated 26 July 2007)

No	Name and Surname	Position	Department/Division
1	Mr Xaysana Sengdavong	Technical Officer	NPL Section, Credit and Marketing Div
2	Mr Vanlasin Sihlath	Technical Officer	NPL Section, Credit and Marketing Div
3	Mr Anouxay Khaophanh	Technical Officer	NPL Section, Credit and Marketing Div
4	Mr Viengxay Solangkoun	Technical Officer	NPL Section, Credit and Marketing Div

APB Asset and Liability Management Committee (Nomination No 121/APB dated 03 August 2007)

No	Name and Surname	Position	Committee Position
1	Mr Bounvong Duangdocket	Managing Director	Chairman
2	Mrs Manivong Xayaseng	Deputy Managing Director	Deputy Chairman
3	Mr Boua Ngern Phongsavath	Deputy Managing Director / Credit Div	Member
4	Mr Amphone Aliyavongsing	Deputy MD / Planning and International Cooperation Div, IT Centre	Member
5	Mr Thavone Khemkham	Deputy Managing Director / Administrative Div	Member
6	Mr Somephone Vongsavanh	Deputy Managing Director / Audit/ Branch Supervision Div	Member

7	Mrs Somchanh Nanthavong	Head of Accounting and Finance Div	Secretary
---	-------------------------	------------------------------------	-----------

APB Credit Committee (Nomination No 122/APB dated 03 August 2007)

No	Name and Surname	Position	Committee Position
1	Mr Bounvong Duangkhet	Managing Director	Chairman
2	Mrs Manivong Xayaseng	Deputy Managing Director	Deputy Chairman
3	Mr Boua Ngern Phongsavath	Deputy Managing Director / Credit Div	Deputy Chairman
4	Mr Amphone Aliyavongsing	Deputy MD / Planning and International Cooperation Div, IT Centre	Deputy Chairman
5	Mr Thavone Khemkham	Deputy Managing Director / Administrative Div	Deputy Chairman
6	Mr Somephone Vongsavanh	Deputy Managing Director / Audit/ Branch Supervision Div	Deputy Chairman
7	Mrs Manivong Xayaseng	Deputy Managing Director/Accounting Div	Deputy Chairman
8	Mr Bounyou Meaungmahavong	Head of Division	Credit Division
9	Mr Khamphouang Phaobouavong	Acting Head of Division	Planning and International Cooperation Division
10	Mrs Bouakeo Khamsonphou	Head of Division	Branch Supervision Division
11	Mrs Somchanh Nanthavong	Head of Division	Accounting and Finance Division
12	Ms Phetsamay Sidachanh	Head of Division	Human Resource Division

Corporate Planning Committee (Nomination No 126/APB dated 09 August 2007)

No	Name and Surname	Position	Committee Position
1	Mr Bounvong Duangkhet	Managing Director / Human Resource	Chairman
2	Mr Boua Ngern Phongsavath	Deputy Managing Director / Credit Div	Deputy Chairman

Appendix C Appointment of Counterpart Staff and Committees

3	Mr Amphone Aliyavongsing	Deputy MD / Planning and International Cooperation Div, IT Centre	Deputy Chairman
4	Mr Thavone Khemkham	Deputy Managing Director / Administrative Div	Deputy Chairman
5	Mr Somephone Vongsavanh	Deputy Managing Director / Audit/ Branch Supervision Div	Deputy Chairman
6	Mrs Manivong Xayaseng	Deputy Managing Director/Accounting Div	Deputy Chairman
7	Mr Bounyou Meuangmahavong	Head of Credit Div	Credit Division
8	Mrs Somchanh Nanthavong	Head of Accounting and Finance Div	Accounting and Finance Division
9	Mrs Bouakeo Khamsomphou	Head of Branch Supervision Div	Branch Supervision Division
10	Mrs Phetsamay Sidachanh	Head of Human Resource Div	Human Resource Division
11	Mr Vatthanasinh Prapasiri	Head of IT Centre	IT Centre
12	Mr Khamphouang	Head of Planning and International Cooperation Div	Planning and International Cooperation Division

Senior Management Committee (Nomination No 129/APB dated 13 August 2007)

No	Name and Surname	Position	Committee Position
1	Mr Bounvong Duangkhet	Managing Director	Chairman
2	Mrs Manivong Xayaseng	Deputy Managing Director	Member
3	Mr Boua Ngern Phongsavath	Deputy Managing Director/Credit Div	Member
4	Mr Amphone Aliyavongsing	Deputy MD/Planning and International Cooperation Div, IT Centre	Member
5	Mr Thavone Khemkham	Deputy Managing Director/ Administrative Div	Member
6	Mr Somephone Vongsavanh	Deputy Managing Director/Audit/ Branch Supervision Div	Member

Corporate Planning Sub-Committee (Nomination No 224/APB dated 17 October 2007)

No	Name and Surname	Position	Department/Division
1	Mr Vatthanasinh Praphasiri	Head of ICT Centre	ICT Centre
2	Ms Vayouli Keovongkot	Officer	Planning and International Cooperation Division
3	Mr Phouvanh Sisack	Officer	Planning and International Cooperation Division

APB TA – 4827 Coordinating Committee (Nomination No 06/APB dated 18 October 2007)

No	Name and Surname	Position	Department/Division
1	Mr Amphone Aliyavongsing	Deputy Managing Director	
2	Mr Korrakane Sengaphay	Head of International Relation Section	Planning and International Cooperation Division
3	Mrs Phetsomay Sidachanh	Head of Human Resource Division	Head of Human Resource Division
4	Mr Vatthanasinh Praphasiri	Head of ICT Centre	ICT Centre

Audit, Risk Management and Prudential Compliance Committee (Nomination No 01/APB dated 04 Jan 2008)

No	Name and Surname	Position	Committee Position
1	Dr Bounpheng Vongdeuane	BOD Chairman	Chairman
2	Mr Boua Ngern Phongsavath	Deputy Managing Director/Credit Div	Deputy Chairman
3	Mr Somephone Vongsavanh	Deputy Managing Director/Audit/ Branch Supervision Div	Member

Corporate Planning Sub-Committee (Nomination No 224/APB dated 17 October 2007)

No	Name and Surname	Position	Department/Division
1	Mr Vaththanasinh Praphasiri	Head of ICT Centre	ICT Centre
2	Ms Vayouli Keovongkot	Officer	Planning and International Cooperation Division
3	Mr Phouvanh Sisack	Officer	Planning and International Cooperation Division

APB TA – 4827 Coordinating Committee (Nomination No 06/APB dated 18 October 2007)

No	Name and Surname	Position	Department/Division
1	Mr Amphone Aliyavongsing	Deputy Managing Director	
2	Mr Korrakane Sengaphay	Head of International Relation Section	Planning and International Cooperation Division
3	Mrs Phetsomay Sidachanh	Head of Human Resource Division	Head of Human Resource Division
4	Mr Vattthanasinh Praphasiri	Head of ICT Centre	ICT Centre

Audit, Risk Management and Prudential Compliance Committee (Nomination No 01/APB dated 04 Jan 2008)

No	Name and Surname	Position	Committee Position
1	Dr Bounpheng Vongdeuane	BOD Chairman	Chairman
2	Mr Boua Ngern Phongsavath	Deputy Managing Director/Credit Div	Deputy Chairman
3	Mr Somephone Vongsavanh	Deputy Managing Director/Audit/ Branch Supervision Div	Member

Management Development and Compensation Committee (Nomination No 02/APB dated 04 January 2008)

No	Name and Surname	Position	Committee Position
1	Dr Phouangpaisack Pravongviengkham	BOD Vice Chairman	Chairman
2	Mr Viengthong Keomanisy	BOD Member	Deputy Chairman
3	Mrs Phetsamay Sidachanh	Head of Human Resource Division	Member

APB Project Implementation Unit (Nomination No 25/APB dated 18 February 2008)

No	Name and Surname	Position	Department/Division
1	Mr Amphone Aliyavongsing	Deputy Managing Director	
2	Mr Kongsy Thongphouvong	Head of Division	Planning and International Cooperation Division
3	Mr Vattthanasinh Prophasiri	Head of ICT Centre	ICT Centre
4	Mrs Phetsomay Sidachanh	Head of Human Resource Division	Head of Human Resource Division
5	Mr Bouryou Meungmahavong	Head of Division	Credit Division
6	Mrs Boukeo Khamsoiphou	Head of Division	Branch Supervision Division
7	Ms Vilayphet Luangaphay	Head of Section	Asset and Liability Management Section
8	Mrs Thouda Thapesimeang	Internal Audit Officer	Internal Audit Division

APPENDIX D WORKSHOP PARTICIPANTS AND TIMETABLES

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX D WORKSHOP PARTICIPANTS AND TIMETABLES

1ST GOVERNANCE WORKSHOP PARTICIPANTS AND TIMETABLE, 13 AND 14 SEPTEMBER 2007

Participants

No	Organisation	Name and Surname	Position
1	PMO	Mr Siphandone Sihavong	APB Vice Chairman (BOD)
2	BOL/BFSD	Mrs Keasone Manivong	Head of MFI Division
3	BOL/IRD	Mrs Sengdao Bouphakonekham	Director General
4	BOL/Personnel Dept	Mr Phouvieng Sengdavong	Deputy Director General
5	BOL (BFSD)	Mrs Khamla Heuanemanivong	Technical Staff
6	APB	Mr Bounvong Duangdokket	Managing Director
7	APB	Mr Phanthaboun Sayaphet	Deputy Managing Director
8	APB	Mr Bounsy Thanousing	Head of Planning and Int Relations Division
9	APB	Mr Souvan Phommalongsin	Head of Credit Division
10	APB	Mrs Somchanh Nanthavong	Head of Account Division
11	APB	Mrs Bouakeo Khamxomphu	Head of Branch Supervision Division
12	APB	Mrs Phetsamay Sidachanh	Deputy Head of HR Division
13	APB	Mr Somphon Vongsavan	Internal Auditor
14	APB	Mr Korrakane Sengarphay	Head of Credit Section/NPL Workout Unit
15	APB	Mr Phonexay Inthavong	Legal Staff/PIU Counterpart
16	Coffey	Mr Jon Wynne-Williams	Team Leader
17	Coffey	Ms Sinipha Khamphoui	Translator/Facilitator
18	Coffey	Mr Thongphankham Sounixay	Translator/Facilitator

Timetable

Day 1 - 13 September 2007

Session	Time	Topics
1	08:30 – 09:45	Opening Remarks Course Content What is Corporate Governance and Why Is It Important Examples of Organisation Charts Board Best Practice Board Formation
Break	09:45 – 10:00	
2	10:00 – 12:00	Exercise 1 - How Does the APB Board Measure Up?
Lunch	12:00 – 13:00	
3	13:00 – 14:45	Profiles of Directors Exercise 2 - How Will the APB Selection Procedures and Board Committees Measure Up?
Break	14:45 – 15:00	
4	15:00 – 16:30	Exercise 3 - How Will the APB Board Member Functions Measure Up? Recapitulation

Day 2 – 14 September 2007

Session	Time	Topics
1	08:30 – 09:45	Exercise 4 - How will APB Disclosure Measure Up?
Break	09:45 – 10:00	
2	10:00 – 10:45	The Internal Audit Function Discussion
3	10:45 – 12:00	Review and Conclusions Concluding Remarks
Lunch	12:00 – 13:30	

GOVERNANCE AGREEMENT WORKSHOP PARTICIPANTS AND TIMETABLE, 5 DECEMBER 2007

Participants

No	Organisation	Name and Surname	Position
1	APB	Dr Bunpheng Vongdeuane	Chairman of APB Board
2	APB	Mr Viengthong Keomanivong	Board Member
3	APB	Mr Bounvong Duongdokkhet	Managing Director
4	APB	Mr Boua Ngeunh Phongsavath	Deputy Managing Director
5	APB	Mr Thavone Khemkham	Deputy Managing Director
6	APB	Mr Somphone Vongsavanh	Deputy Managing Director
7	APB	Mrs Manivong Xayaseng	Deputy Managing Director
8	APB	Mrs Bouakeo Khamsoiphou	Head of Branch Supervision Division
9	APB	Mr Bounyou Meuangmahavong	Head of Credit Division
10	APB	Mrs Somchanh Nanthvong	Head of Accounting Division
11	APB	Mr Bounsy Thanousing	Head of Planning Division
12	APB	Mr Bounkhanh Synouvong	Deputy Head of Audit Division
13	APB	Mrs Thongoun Bounxayxeng	Deputy Head of Accounting Division
14	APB	Mr Korakan Sengaphay	Head of Credit Section
15	APB	Mr Khamphouang Phaobouavong	Staff, Personnel Division
16	APB	Mr Phouvanh Sisak	Staff, Planning Division
17	APB	Mr Oula Thonnavongsa	Technical Staff

Timetable

Day 1 - 13 December 2007

Session	Time	Topics
1	08:30 – 09:45	Opening Remarks Workshop Content What is Corporate Governance and Why Is It Important Examples of Organisation Charts How Does the APB Board Measure Up?
Break	09:45 – 10:00	
2	10:00 – 12:00	How Will the APB Selection Procedures and Board Committees Measure Up? How Will the APB Board Member Functions Measure Up? How will APB Disclosure Measure Up?
Lunch	12:00 – 13:00	
3	13:00 – 14:45	The Governance Agreement GA Quiz
Break	14:45 – 15:00	
4	15:00 – 16:30	The Governance Agreement Continued Recapitulation

CORPORATE PLANNING WORKSHOP PARTICIPANTS AND TIMETABLE, 6 AND 7 DECEMBER 2007

Participants

No	Organisation	Name and Surname	Position
1	APB	Mr Bounvong Duangdocket	Managing Director
2	APB	Mr Bouangeunh Phongsavath	Deputy Managing Director
3	APB	Mr Thavone Khemkham	Deputy Managing Director
4	APB	Mr Somphone Vongsavanh	Deputy Managing Director
5	APB	Mrs Manivong Xayaseng	Deputy Managing Director
6	APB	Mr Bounyou Meuangmahavong	Chief of Credit Division
7	APB	Mrs Bouakeo Khamxomphou	Head of Branch Supervision Division
8	APB	Mrs Somchanh Nanthavong	Head of Accounting Division
9	APB	Mr Bounsy Thanousing	Head of Planning Division
10	APB	Mr Kongsy Thongphouvong	
11	APB	Mr Bounkanh Synouvong	Deputy Head f of Internal Audit Division
12	APB	Mr Sounthone Souphommavong	Head of Personnel Section
13	APB	Mr Korrakan Sengaphay	Head of Credit Section
14	APB	Mr Oula Thonnavongsa	Technical staff, Planning Division
15	APB	Mr Phouvanh Sisak	Technical Staff
16	APB	Ms Vayouly keovongkith	Technical Staff

Timetable

Day 1 - 6 December 2007

Session	Time	Topics
1	08:30 – 09:45	Introduction Course Content Why Plan, The Planning Hierarchy and Readers' Needs "Readers' Needs" Exercise
Break	09:45 – 10:00	
2	10:00 – 11:30	Who Makes the Plan? "Who Makes the Plan?" Exercise The Mission Statement
Lunch	11:30 – 13:30	
3	13:30 – 14:45	APB Mission Statement "APB Mission Statement" Exercise Corporate Objective
Break	14:45 – 15:00	
4	15:00 – 16:30	Conduct and Value Statements "Value Statements" Exercise

Day 2 - 7 December 2007

Session	Time	Topics
1	08:30 – 09:45	Introduction SWOT Analysis "APB SWOT Analysis" Exercise
Break	09:45 – 10:00	
2	10:00 – 11:30	Policy and Strategies "Policy Review" Exercise "Strategy Formulation" Exercise
Lunch	11:30 – 13:30	
3	13:30 – 14:45	Budgets and Financial Projections The Role of the Corporate Plan
Break	14:45 – 15:00	
4	15:00 – 16:30	Corporate Plan Contents and Responsibilities Course Evaluation and Closing

CREDIT FUNDAMENTALS WORKSHOP PARTICIPANTS AND TIMETABLE, 4 OCTOBER 2007

Participants

No	Organisation	Name and Surname	Position
1	APB	Mr Kongthong Vongdouangchang	Deputy Managing Director
2	APB	Mr Phounsinh Vongdouangchang	Deputy Head of Credit Division
3	APB	Mr Korrahanh Sangaphay	Head of Credit Unit
4	APB	Mr Somsri Tidpha	Head of Xaythany Sub- Service Unit
5	APB	Mr Pandit Vongsay	Head of Nasaythong Sub-Service Unit
6	APB	Mr Bounthavy Keodetleusay	Head of 4 Districts Sub-Service Unit
7	APB	Mr Khampaeu Vesisombat	Head of Hatsayfong Sub-Service Unit
8	APB	Mr Oumano Kaophan	Head of Parkngeum Sub-Service Unit
9	APB	Mr Khamphouvong Phongsamay	Technical Staff
10	APB	Mr Phonesay Inthavong	Technical Staff
11	APB	Mr Kaiyakeo Vongsangdeua	Technical Staff
12	APB	Mr Anousay Kaophan	Technical Staff
13	APB	Mr Saysana Sangdavong	Technical Staff
14	APB	Mr Vanhlaline Sihalat	Technical Staff
15	APB	Mr Viengsay Xorakoun	Technical Staff
16	APB	Mr Phouagphan Khamsonphou	Technical Staff
17	APB	Mr Souphanya Socksone	Technical Staff
18	APB	Mr Souphaphone Ketthavong	Technical Staff
19	APB	Mr Vansana Ouphalavane	Technical Staff
20	APB	Mr La Phommasaysy	Technical Staff
21	APB	Mr Ounkeo Paelaphan	Technical Staff
22	APB	Mr Phonexay Dethvongsa	Technical Staff
23	APB	Mr Bounvong Vannabuothong	Technical Staff
24	APB	Mr Sonephet Touone	Technical Staff
25	APB	Mr Aam Sayyasouk	Technical Staff
26	APB	Ms Lattana Southaphan	Technical Staff

Timetable**4 October 2007**

Session	Time	Topics
1	08:30 – 09:45	Introduction Banking Fundamentals Governance Agreement Risk Management
Break	09:45 – 10:00	
2	10:00 – 11:30	Credit Risk Credit Policy
Lunch	11:30 – 13:00	
3	13:00 – 14:30	Credit Organisation Credit Processes and Procedures Credit Inspection
Break	14:30 – 14:45	
4	14:45–16:30	Loan Classification and Credit Risk Grading Loan Accounting Risk Based Loan Pricing MIS

LOAN MANAGEMENT AND RECOVERY WORKSHOP PARTICIPANTS AND TIMETABLE, 27 NOVEMBER 2007

Participants

No	Organisation	Name and Surname	Position
1	APB	Mr Buangeun Phongsavath	Deputy Managing Director
2	APB	Mr Bounyou Meuangmahavong	Chief of Credit Div
3	APB	Mr Korrakan Sengaphay	Chief of Credit Sector
4	APB	Mr Tiengkham Vansylalom	Chief of Marketing Unit
5	APB	Mr Somsy Thidpha	Head of Sub Service Unit
6	APB	Mr Bandith Vongxay	Head of Sub Service Unit
7	APB	Mr Bounthavy Keodethleusa	Head of Sub Service Unit
8	APB	Mr Khampheui Visisombath	Head of Sub Service Unit
9	APB	Mr Ounmano Kaophane	Head of Sub Service Unit
10	APB	Mr Khamphouvong Phongsamay	Technical Staff
11	APB	Mr Phonexay Inthavong	Technical Staff
12	APB	Mr Kaiyakeo Vongsengdeuan	Technical Staff
13	APB	Mr Anousay Kaophan	Technical Staff
14	APB	Mr Saysana Sengdavong	Technical Staff
15	APB	Mr Vanlasin Syhalath	Technical Staff
16	APB	Mr Viengsay Sorrangkoun	Technical Staff
17	APB	Mr Phouangphanh Khamsonphou	Technical Staff
18	APB	Mr Soupanya Souksone	Technical Staff
19	APB	Mr Souphaphone Kethtavong	Technical Staff
20	APB	Mr Vanhsana Oupalavanh	Technical Staff
21	APB	Mr La Phommasaixy	Technical Staff
22	APB	Mr Ounkeo Boalaphanh	Technical Staff
23	APB	Mr Phonexay Dethvongsa	Technical Staff
24	APB	Mr Bounvong Vannabouathong	Technical Staff
25	APB	Mr Sonphet Tom on	Technical Staff
26	APB	Mr Am Sayasook	Technical Staff
27	APB	Mr Vet Phasynovanh	Technical Staff
28	APB	Mr Kietsouvanh Bounvilay	Technical Staff
29	APB	Mr Vannavong Sounmala	Technical Staff

No	Organisation	Name and Surname	Position
30	APB	Ms Lattana Souphaphanh	Technical Staff
31	APB	Mr Buangeun Phongsavath	Deputy Managing Director

Timetable

27 November 2007

Session	Time	Topics
1	08:30 – 09:45	Introduction Management of the Credit Portfolio at an Operational Level Bad Debts Hurt Banks Failed Banks
Break	09:45 – 10:00	
2	10:00 – 11:30	Good Loan Management Cash Flow and Loan Structuring Loan Supervision and Monitoring
Lunch	11:30 – 13:15	
3	13:15 – 14:00	Arrears Management
Break	14:00 – 14:20	
4	14:20-15:30	Loan Recovery Question Time

2ND GOVERNANCE WORKSHOP PARTICIPANTS AND TIMETABLE, 3 MARCH 2008**Participants**

No	Organisation	Name and Surname	Position
1	APB	Mr Viengthong Keomanisy	APB BOD Member
2	APB	Mr Bouangeunh Phongsavath	Deputy Managing Director
3	APB	Mr Somphon Vongsavanh	Deputy Managing Director
4	APB	Mr Thavone Khemkham	Deputy Managing Director
5	APB	Mr Amphone Aaliyavongsing	Deputy Managing Director
6	APB	Mrs Manivong Saiyaseng	Deputy Managing Director
7	APB	Mr Bounyou Meuangmahavong	Head of Credit Division
8	APB	Mrs Bouakeo Khamxomphu	Head of Branch Supervision Division
9	APB	Mrs Somchanh Nanthavong	Head of Accounting Division
10	APB	Mr Kongsy Thongphouvong	Head of Planning and Int Relations Division
11	APB	Mrs Phetsamay Sidachanh	APB BOD Member
12	APB	Mr Bounkan Sinouvong	Deputy of Audit Division
13	APB	Mr Khamla Ladsavong	Deputy Head of Branch Supervision Division
14	APB	Mr Vatthanasinh Praphasiri	Head of IT Centre
15	APB	Mr Khampoung Poabeuavong	Technical Staff

Timetable**Day 1 – 3 March 2008**

Session	Time	Topics
1	08:30 – 09:45	Opening Remarks Workshop Content What is Corporate Governance and Why Is It Important How Does the APB Board Measure Up?
Break	09:45 – 10:00	
2	10:00 – 12:00	How Will the APB Selection Procedures and Board Committees Measure Up?
Lunch	12:00 – 13:00	
3	13:00 – 14:45	How Will the APB Board Member Functions Measure Up?
Break	14:45 – 15:00	
4	15:00 – 16:30	How will APB Disclosure Measure Up?

PERFORMANCE INDICATOR WORKSHOP PARTICIPANTS AND TIMETABLE, 7 MARCH 2008

Participants

No	Organisation	Name and Surname	Position
1	APB	Mr Somphone Vongsavanh	Deputy Managing Director
2	APB	Mr Amphone Aaliyavongsing	Deputy Managing Director
3	APB	Mrs Manivong Sayaseng	Deputy Managing Director
4	APB	Mr Oula Thonnavongsa	Technical Staff
5	APB	Mrs Bouakeo Khamsoiphou	Head of Branch Supervision Division
6	APB	Mrs Phetsamay Sidachanh	APB BOD Member
7	APB	Mr Bounkhanh Synouvong	Deputy Head of Audit Division
8	APB	Mr Khamla Ladsavong	Deputy Head of Branch Supervision Division
9	APB	Mr Vatthanasinh Praphasiri	Head of IT Centre
10	APB	Ms Vilayphet Luangaphay	Deputy Head of Section
11	APB	Ms Thouda Thepsymouang	Technical staff
12	APB	Ms Vayouly Keovongkot	Technical staff, Planning Division
13	APB	Mr Phouvanh Sisak	Staff, Planning Division
14	BFSD, BOL	Mrs Khonemala Sithilath	Head of Division
15	BFSD, BOL	Ms Thippavanh Chanthaphasouk	Head of Division
16	BFSD, BOL	Ms Phothichanh Thammatheva	Deputy Head of Division
17	BFSD, BOL	Ms Khamla Heuanmanivong	Technical Staff
18	BFSD, BOL	Ms Chansamone Chitthivong	Technical Staff
19	BFSD, BOL	Ms Sengmany Manyvong	Technical Staff
20	BFSD, BOL	Ms Phetsamone Chandara	Technical Staff
21	BFSD, BOL	Ms Chanh Souk Sisouphanh	Technical Staff
22	BFSD, BOL	Mrs Keasone Manivong	Head of Microfinance Division

PERFORMANCE ASSESSMENT WORKSHOP PARTICIPANTS AND TIMETABLE, 28 MAY 2008

Participants

No	Organization	Name and Surname	Position
1	APB	Mr Bounvong Duangdocket	Managing Director
2	APB	Mr Amphone Aliyavongsing	Managing Director
3	APB	Mr Beauguem Phongsavath	Managing Director
4	APB	Mr Somphone Vongsavanh	Managing Director
5	APB	Mr Bounsy Thanousing	Branch Manager, Vientiane Capital
6	APB	Mr Youay Pathoummady	Branch Manager Vientiane Province
7	APB	Mr Thai Xong	Branch Manager LPB Province
8	APB	Mr Phonxay Ha Youa Yei	Branch Manager Xiengkhoung Province
9	APB	Mr Khambai Xayasone	Branch Manager Houaphan Province
10	APB	Mr Bountheung Chanthavong	Branch Manager Bokeo Province
11	APB	Mr Phounsine Vongduangchan	Branch Manager Xayabuly Province
12	APB	Mr Sounthone Souphommavong	Dep Branch Manager Luangnamtha Province
13	APB	Mr Bounoom Inthavongsa	Deputy Branch Manager Oudomxay
14	APB	Mr Thongdam Thapphavong	Branch Manager Phongsaly Province
15	APB	Mr Bounmy Vannaly	Head of Branch Borkhamxay Province
16	APB	Mr Donsathian Bounmyaphay	Branch Manager Khammouan Province
17	APB	Mr Somphone Kittilath	Branch Manager Savannakhet Province
18	APB	Mr Somechit Thongkhamsook	Branch Manager Pakse Province
19	APB	Mr Phongkham Champadeang	Branch Manager Saravan Province
20	APB	Mr Sengsavath Inthaphanith	Branch Manager Sekong Province
21	APB	Mr Hongthong Khamphouvong	Deputy Branch Manager Attapeu Province
22	APB	Mrs Phetsamay Sidachanh	Head of HR Division
23	APB	Mr Bandith Seangdavong	Deputy Head of HR Division
24	APB	Mr Seangchanh keosongseang	Head of Cabinet
25	APB	Mrs Somchanh Nanthavong	Head of Accounting Division
26	APB	Mrs Bouakeo Khamsoomphou	Head of Branch Supervision Division
27	APB	Mr Bounyou Meuangmahavong	Head of Credit Division
28	APB	Mr Kongsy Thongphousy	Head of Planning Division
29	APB	Mr Vatthanasinh Praphasiri	Head of IT Centre
30	APB	Mr Khamla Ladsavong	Head of Audit Division

No	Organisation	Name and Surname	Position
31	APB	Mr Somphet Sysopha	Staff
32	APB	Ms Soulylammone Vilayvieng	Staff
33	APB	Mr Khamphouang Phaobouavong	Deputy Administration Division
34	Coffey	Mr Jon Wynne-Williams	Team Leader
35	Coffey	Ms Sinipha Khamphoui	Translator/Facilitator

Timetable

Session	Time	Topics
1	13:30 – 15:00	Opening Remarks GA Requirements Assessment Process Guidelines on Rating
Break	15:00 – 15:15	
2	15:15 – 16:30	Performance Assessment Exercise

No	Organisation	Name and Surname	Position
26	Credit Collecting Centre	Mr Lakonkham Souvannavongsa	Technical Officer
27	APB	Mrs Bouakeo Khamsoiphou	Head of Division
28	Nayoby Bank	Mr Bounseng Luangsouvannavong	Deputy Managing Director
29	LDB	Mr Bounpone Phouthavog	Head of Division
30	BCEL	Mr Hinhphet Chanthalangsy	Acting Head of IT Centre
31	Rural Development and Poverty Reduction Committee	Mr Boualong Inthavongsa	Head of Division
32	Financial Policy Department, MOF	Mr Somsanouk Sinamouty	Head of Division
33	Ministry of Justice	Ms Soukvaly Phommasaysy	Technical Officer
34	Ministry of Industry and Commerce (CO)	Ms Khamphou Somfongbouthakanh	Technical Officer
35	Ministry of Information and Culture	Mr Bouathong Thammavong	Deputy Director General of Planning and Finance Department
36	Ministry of Communication and Transportation	Mr Bounking Keomanivong	Head of Budgeting Department
37	Ministry of Public Health	Mr Phoxay Sayyalath	Head of Budgeting Department
38	Lao National Construction Organisation	Mrs Siphachanh Nanthavong	Head of Finance Division
39	Lao Women Union	Mrs Somphone Thirasack	Head of Finance Division
40	Lao Women Union (Vientiane Capital)	Mrs Viengxay Nola	Head of Administrative office
41	Vientiane Capital Administrative Office	Mr Somphet Phongthachit	Head of Finance
42	NERI	Mr Souphit Drarachan	Deputy Director of NERI
43	NERI	Mrs Vilinda Phathoumavong	Technical Officer
44	EMI	Mr Somphone Sisanglath	Director
45	Newton DTMFI	Mr Yai Bounvongsa	Manager
46	Sayaisomphan TDMFI	Mr Saysamone	Manager
47	Small Holders Credit Union	Mr Bounsong	Manager
48	FC	Mr Adsavin Sisoukham	Credit and Network Manager
49	FC	Mr Souliphonesit	Deputy Manager

No	Organisation	Name and Surname	Position
50	MCBR	Mrs Vilinda Phathummavong	Technical Officer
51	NAFACE (Nam Ngerm 2)	Ms Chandeun Phommachan	Administrative officer
52	World Concern	Ms Keovingsay Phompackdy	Finance Manager
53	Concern World Wide	Ms Moinul Islam	Microfinance Advisor
54	Oxfam Australia	Ms Phouvane Sankhamdy	Head of Administrative Office
55	SNV	Mr Timo Hohenhout	Microfinance Advisor
56	GTZ	Mr Bandit Sisoukda	Consultant
57	GTZ	Mr Daniel Tarus	Advisor
58	Lao Red Cross	Mr Somhak Inthilat	Deputy Head of Cabinet Office
59	IFC	Mr Litlathi Latsavong	Project Office
60	ADB	Mr Phautoueth Louaugray	Economist
61	World Education	Mr Viengthongxay Intha	Senior Program Officer
62	World Vision	Mr Viengthongxay	Managing Director
63	World Vision	Mr Keo Chanthalangsy	Operation Support Manager
64	UNODC	Mr Bounyadeth Phougmla	Planning Division
65	FIUM	Ms Somphong Chanthasang	Head of Project Division
66	TA 4827	Mr Kongpasa Sengsourivong	Consultant
67	Vietnamese Embassy	Mr Dang Quoc An	Advisor
68	EU	Mr Inphone Seankhamty	Responsible for Projects

Timetable

Session	Time	Topics
1	8:00-8:30	Registration
	8:30-8:45	Welcome guests and present objectives of the workshop
	8:45-9:00	Opening Remarks
	9:00-9:15	Introduction to Microfinance Supervision in Lao PDR
	9:15-9:45	Introduction to Regulation of Deposit-Taking Microfinance Institutions (DTMFI)
Break	09:45 – 10:05	
2	10:05-10:45	Introduction to Regulation of Non Deposit-Taking Microfinance Institutions (NDTMFI)
	10:45-11:30	Introduction to Regulation of Saving and Credit Unions (SCU)
Lunch	11:30 – 13:15	
3	13:15-13:30	Registration
	13:30-14:00	Introduction to Licensing Forms for 3 Types of Institutions
	14:00-14:30	Introduction to Chart of Accounts and Reporting Forms
Break	14:30 – 14:45	
4	14:45-15:15	Questions and Answers
	15:15-15:45	Wrap-up
	15:45-16:00	Closing Remarks

LOAN ADMINISTRATION TRAINING PARTICIPANTS AND TIMETABLE, 16-19 SEPTEMBER 2008

Participants

No.	Organization	Name and Surname	Position
1	APB	Mr Bouangeun Phongsavath	Managing Director
2	APB	Mr Bounyou Meuangmahavong	Head of Credit Division
3	APB	Mr Oula Thonnavongsa	Head of Division
4	APB	Mr Viengsouk Simmakone	Head of Division
5	APB	Mr Vanlasin Sihalath	Technical Staff
6	APB	Mr Vannavong Sounmala	Technical Staff
7	APB	Mrs Thongoun Bounxaysang	Deputy Head of Branch
8	APB	Mr Bandith Vongxay	Head of Division
9	APB	Mr Oumano Kaophan	Head of Sector
10	APB	Mr Souphaphone Ketthavong	Technical Staff
11	APB	Mr Sysomsock Norphommachan	Technical Staff
12	APB	Mrs Bounma Phommachan	Deputy Head of Branch
13	APB	Mr Bounlieng Syphaseuth	Head of Division
14	APB	Mr Phouvieng Sommala	Head of Section
15	APB	Mr kindavong Phimsalath	Technical Staff
16	APB	Mr Bounsy Vilaysack	Deputy Head of Branch
17	APB	Mr Anousone Phansyli	Head of Division
18	APB	Mr Bounma Phanyathong	Technical Staff
19	APB	Mr Somsanith Phanthasith	Head of Division
20	APB	Mr Souvankham Kouvisith	Technical Staff
21	APB	Mr Oudontrin lathsaphon	Deputy Head of Branch
22	APB	Mr Thaiha Wangnieng	Head of Division
23	APB	Mr Arnousine Liengpaseuth	Technical Staff
24	APB	Mrs Aut Saysomphan	Deputy Head of Branch
25	APB	Mr Vilavanh Deuagmala	Head of Division
26	APB	Mr Khambook Daojomphet	Deputy Head of Branch
27	APB	Mr Deuangchan Inthavong	Head of Division
28	APB	Mr Nothin Sangchanthavong	Technical Staff
29	APB	Mr Phousamone Nanthasan	Deputy Head of Branch
30	APB	Mr Sivixay sosalaphoum	Head of Division

No	Organization	Name and Surname	Position
31	APB	Mr Phoulom Phommala	Technical Staff
32	APB	Mr Sivone xaiyavong	Head of Division
33	APB	Mr Phonsomvang Bounthalath	Technical Staff
34	APB	Mr Phouthasine Simeaug	Deputy Head of Division
35	APB	Mr Soutta Somboonkhant	Head of Unit
36	APB	Mr Keoviengkhone Thanthathep	Technical Staff
37	APB	Mr Noursang Salitthilath	Deputy Head of Branch
38	APB	Mr Sommay Thirakuon	Deputy Head of Division
39	APB	Mr Sinsana Ninthalad	Technical Staff
40	APB	Mr Beauvanh Boutdasack	Deputy Head of Branch
41	APB	Mr Inpan Xaiyaphanya	Head of Division
42	APB	Mr Viengxay Keosaly	Head of Section
43	APB	Mrs Eie Souliya	Deputy Head of Branch
44	APB	Mr Phonexay Thammavong	Head of Division
45	APB	Mr Sorphaseuth Thanittha	Deputy Head of Division
46	APB	Mr Bounthai Chanthavong	Technical Staff
47	APB	Mr Khamphon Souvannady	Deputy Head of Branch
48	APB	Mr Boun Anousack	Head of Division
49	APB	Mr Somlith Tauktaloy	Technical Staff
50	APB	Mr Khamchan Phanthavong	Head of Division
51	APB	Mr Phoukham Souvanpheng	Technical Staff
52	APB	Mr Sisavat Phothisalath	Deputy Head of Branch
53	APB	Mr Pheththanosone Thaebkhamphounvong	Technical Staff
54	Coffey	Mr Bill Colwell	Banking and Financial Sector Consultant
55		Mr Chithavixay	Translator

Timetable

Time	Day 1	Day 2	Day 3	Day 4
First Morning Session	09:00 – 09:30 11 Welcome and Introduction	09:00 – 09:15 21 Day 1 Review	09:00 – 09:15 31 Day 2 Review	09:00 – 09:15 41 Day 3 Review
	09:30 – 10:15 12 Background to Lending	09:15-10:00 22 Interviewing the Customer	09:15 – 09:45 32 Loan Documentation and Collateral Security	09:15 – 10:00 42 Arrears Management
		10:00-10:30 23 Interview Exercise	09:45 – 10:15 33 Loan Disbursement	10:00 – 10:15 43 Effects of Bad Debts
Break	10:15 – 10:30	10:30 – 10:45	10:15 – 10:30	10:15 – 10:30
Second Morning Session	10:30 – 11:30 13 (a) Principles of Lending	10:45-11:30 24 Business Plan	10:30 – 12:00 34 Loan Supervision and Monitoring	10:30 -11:00 44 Loan Recovery Procedures
	11:30 – 12:00 13 (b) Principles of Lending	11:30-12:00 25 Cash Flow		11:00-12:00 45 Review and Control of Bad Debts
Lunch	12:00-13:00	12:00-13:00	12:00-13:00	12:00-13:00

First Afternoon Session	13:00-13:30 14 Principles of Lending Exercise	13:00-13:00 26 Environment Risk	13:00-14:00 35 Loan Supervision Role Play	13:00-13:45 46 Restructuring Non Performing Loans
	13:30-14:45 15 Business Cycle and Loan Cycle	13:30-14:45 27 Loan Appraisal	14:00-14:45 36 Loan Repayment	13:45-14:45 47 Portfolio Information System
Break	14:45 – 15:00	14:45 – 15:00	14:45 – 15:00	14:45 – 15:00
Second Afternoon Session	15:00-16:00 16 Proposal Appraisal	15:00 -16:30 28 Ratio Analysis and Lending Decisions	15:00-15:45 37 Loan Classification	15:00-15:30 48 Course Evaluation
	16:00 -16:30 17 Screening Enquiries	16:30-17:00 29 Review and Questions	15:30-16:45 38 Account Deterioration	
	16:30-17:00 18 Review and Questions		16:45-17:00 37 Review and Questions	15:30 – 16:00 49 Closing Session
Finish	17:00	17:00	17:00	16:00

PORTFOLIO MANAGEMENT TRAINING PARTICIPANTS AND TIMETABLE, 23-25 SEPTEMBER 2008

Participants

No	Organization	Name and Surname	Position
1	APB	Mr Bounvong Duangdocket	Managing Director
2	APB	Mr Beauguem Phongsavath	Deputy Director
3	APB	Mr Somphone Vongsavanh	Deputy Director
4	APB	Mr Amphone Aliyavongsing	Deputy Director
5	APB	Mrs Manivong xaiyasang	Deputy Director
6	APB	Mr Thavone Khamkhem	Deputy Director
7	APB	Mr Bounyou Meuangmahavong	Head of Credit Division
8	APB	Mrs Somchan Nanthavog	Head of Accounting Division
9	APB	Mr Khamla Latsavong	Acting Internal Audit Division
10	APB	Mr Bounkan Sinouvong	Deputy Head of Branch Supervision
11	APB	Mrs Thongoue Bounsaysang	Deputy Head of Branch
12	APB	Mr Yeoui Phathommady	Head of Branch
13	APB	Mr Phousine Vongduangchan	Head of Branch
14	APB	Mr Thai Song	Head of Branch
15	APB	Mr Phonexay Ha Youa Yei	Head of Branch
16	APB	Mr Khambai Xaysasone	Head of Branch
17	APB	Mr THongdam Thepphavong	Head of Branch
18	APB	Mr Bountheug Chanthavogn	Head of Branch
19	APB	Mr Bounmy Vannany	Head of Branch
20	APB	Mr Osa Chansomphou	Deputy Head of Branch
21	APB	Mrs Ketoudone Phetsouphan	Deputy Head of Branch
22	APB	Mr Nousang Sitthilath	Deputy Head of Branch
23	APB	Mr Bounoum Inthavong	Head of Branch
24	APB	Mr Southone Souphommavong	Head of Branch
25	APB	Mr Phongkham Champadeang	Head of Branch
26	APB	Mr Sengsavath Inthaphanith	Head of Branch
27	APB	Mr Hongthong Khamphouvong	Head of Branch
28	APB	Mr Oula Thonnavongsa	Head of Section
29	APB	Mrs Vilayphet Luangaphay	Head of Section
30	APB	Ms Vayouly Keovongkot	Technical Staff

Timetable

Time	Day 1	Day 2	Day 3
First Morning Session	09:00 – 09:30 11 Welcome and Introduction 09:30 – 10:15 12 The Business of Banking	09:00 – 09:15 21 Day 1 Review 09:15-10:15 22 Credit Risk	09:00 – 09:15 31 Day 2 Review 09:15 – 10:15 32 Portfolio Risk Management
Break	10:15 – 10:30	10:15 – 10:30	10:15 – 10:30
Second Morning Session	10:30 – 11:30 13 Governance and the Regulatory Framework 11:30 – 12:00 14 Introduction to Risk and Portfolio Management	10:30-12:00 24 Liquidity Risk	10:30 – 12:00 33 Loan Portfolio Management
Lunch	12:00-13:00	12:00-13:00	12:00-13:00
First Afternoon Session	1300-1345 15 Types of Risk 13:45-15:00 16 Portfolio Management in Banks	1300-1400 25 Interest Rate Risk 14:00-14:45 26 Market Risk	1300 -1400 34 Credit Policy 14:00 -14:45 36 Portfolio Quality
Break	14:45 – 15:00	14:45 – 15:00	14:45 – 15:00
Second Afternoon Session	15:00 -16:00 17 Framework for Portfolio Management 16:00 -16:30 18 Asset and Liability Management in Banks 16:30–17:00 19 Review and Questions	15:00 -16:30 27 Operational Risk 16:30 -17:00 29 Review and Questions	15:00 -16:00 36 Portfolio Management Matrix 16:00–16:30 37 Course Review
Finish	17:00	17:00	16:30

BRANCH MANAGEMENT TRAINING PARTICIPANTS AND TIMETABLE 26-27 SEPTEMBER 2008

Participants

No	Organization	Name and Surname	Position
1	MOF	Dr Bounpheng Vongdeuane	Chairman of APB Board
2	MOAF	Dr Phougpalisack Pravongviengkham	Deputy Head of Board
3	APB	Viangthong Keomanisy	APB Board Member
4	APB	Mr Bounvong Duangdocket	Managing Director
5	APB	Mr Bouanguem Phongsavath	Deputy Managing Director
6	APB	Mr Somphone Vongsavath	Deputy Managing Director
7	APB	Mr Amphone Aaliyavongsing	Deputy Managing Director
8	APB	Mrs Manivong Saiyasang	Deputy Managing Director
9	APB	Mr Thavone Khemkham	Deputy Managing Director
10	APBAPB	Mr Bounyou Meuangmahavong	Head of Credit Division
11	APB	Mrs Somchan Nanthavong	Head of Accounting
12	APB	Mr Sangchan Keosongsang	Head of Division
13	APB	Mrs Phetsamay Sidachanh	Head of HR
14	APB	Mr Korrakhan Sangaphay	Head of Section
15	APB	Mr Khamla Latsavong	Acting Internal Audit Division
16	APB	Mr Bounkan Sinouvong	Deputy Head of Branch Supervision
17	APB	Mrs Thong oun Bounsaysang	Deputy Head of Branch
18	APB	Mr Yeoui Phathommady	Head of Branch
19	APB	Mr Phousine Vongduangchan	Head of Branch
20	APB	Mr Thai Song	Head of Branch
21	APB	Mr Phonexay Ha Youa Yei	Head of Branch
22	APB	Mr Khambai Xaysasone	Head of Branch
23	APB	Mr THongdam Thepphavong	Head of Branch
24	APB	Mr Bountheug Chanthavogn	Head of Branch
25	APB	Mr Bounmy Vannany	Head of Branch
26	APB	Mr Osa Chansomphou	Deputy Head of Branch
27	APB	Mrs Ketoudone Phetsouphan	Deputy Head of Branch
28	APB	Mr Nousang Sithilath	Deputy Head of Branch
29	APB	Mr Bounoum Inthavong	Head of Branch
30	APB	Mr Southone Souphommavong	Head of Branch

No	Organisation	Name and Surname	Position
31	APB	Mr Phongkham Champadeang	Head of Branch
32	APB	Mr Sengsavath Inthaphanith	Head of Branch
33	APB	Mr Hongthong Khamphouvong	Head of Branch
34	Coffey	Mr Bill Colwell	Banking and Financial Sector Specialist
35		Mr Saysaniith Vongviengkham	Translator

BRANCH MANAGEMENT TRAINING PARTICIPANTS AND TIMETABLE 26-27 SEPTEMBER 2008

Time	Day 1	Day 2
First Morning Session	08:30 – 09:00 11 Welcome and Introduction 09:00 – 10:00 12 The Big Picture	08:30 – 08:45 21 Day 1 Review 08:45 -09:30 22 Branch Functions 09:30-10:00 23 Branch Supervision
Break	10:00 – 10:15	10:00 – 10:15
Second Morning Session	10:15 – 11:15 13 Governance and the Regulatory Framework 11:15 – 12:00 14 Principles of Good Branch Banking Management	10:15-11:00 24 Place of and Relations between External Audit and Internal Audit 11:00-11:45 25 Flow of Information 11:45 -12:30 26 Branch Profitability 12:30–13:00 27 Review and Questions
Lunch	12:00-13:00	
First Afternoon Session	13:00-13:45 15 APB Organisational Structure 13:45-14:30 16 Institutional Policies	
Break	14:30 – 14:45	
Second Afternoon Session	14:45-15:30 17 Head Office Functions 15:30–16:00 18 Review and Questions	
Finish	16:00	13:00

MANAGEMENT SKILLS TRAINING PARTICIPANTS AND TIMETABLE, 2, 3, 6, 7, 8 OCTOBER 2008 AND 15-18 DECEMBER 2008

Participants 2, 3, 6, 7, 8 October 2008

No	Organization	Name and Surname	Position
1	APB	Mr Beauguem Phongsavath	Deputy Director
2	APB	Mr Amphone Aliyavongsing	Deputy Director
3	APB	Mr Somphone Vongsavanh	Deputy Director
4	APB	Mr Thavone Khemkham	Deputy Director
5	APB	Mr Sangchan Keosongsang	Head of Cabinet
6	APB	Mrs Phetsamay Sidachan	Head of HR Division
7	APB	Mr Vatthanasinh Praphasily	Head of IT Central
8	APB	Mr Bounyou Meuangmahavong	Head of Credit Division
9	APB	Mr Khamla Latsavong	Acting Internal Audit Division
10	APB	Mr Khamphoung Paobeualavong	Deputy Head of Cabinet Department
11	APB	Mr Bounkan Sinouvong	Deputy Head of Branch Supervision
12	APB	Mr Phouthone Phommasang	Head of Audit Section
13	APB	Mr Bandith Sangdavong	Deputy Head of HR
14	APB	Mr Veth Phasinouvanh	Head of Unit Parkgum
15	APB	Mr Phoungphan Khamsonphou	Head of Unit Xaythany
16	APB	Mr Korrakhan Sangaphay	Head of International Relation Section
17	APB	Mr Oula Thonnavongsa	Head of Credit Sector
18	APB	Mr Viengsouk Simmakone	Head of legal and Collection Section
19	APB	Mrs Thongoune Bounxaysang	Deputy Head of Branch
20	APB	Mr Phouvieng Sommala	Deputy Head of Branch
21	APB	Mrs Ammanivong Vannavong	HR Division
22	APB	Mr Banhdith Vongxay	Head of Credit Division
23	APB	Mrs Sakone Sangsouly	Head of Cabinet Section
24	APB	Mr Boonthavee Keodethleusa	Head of Unit 4 District
25	APB	Mr Khampeu Vesisombath	Head of Unit Hatsaygfong
26	Coffey	Mr Jonh Wynne-Williams	Principal
27	Coffey	Mrs Sinipha Khamphoui	Translator

Participants 15-18 December 2008

No	Organization	Name and Surname	Position
1	APB	Mrs Bouakeo Khamsoomphou	Head of Division
2	APB	Mrs Somchan Nanthavong	Head of Accounting
3	APB	Mr Bounsy Thanousing	Head of Branch
4	APB	Mrs Khammeug Southdavong	Head of Sector
5	APB	Mr Tiengkham Vansylalom	Head of Sector
6	APB	Mrs Vilayphet Luangaphay	Head of Sector
7	APB	Mrs Kanha Phommahaxay	Head of Sector
8	APB	Mr Saysana Sandavong	Deputy Head of Sector
9	APB	Mr Somsy Thidpha	Deputy Head of Sector
10	APB	Mr Oumano Khaophane	Head of Unit
11	APB	Mrs Keopadapsy	Head of Unit
12	APB	Mrs Thouda Thepsymeuang	Technical Staff
13	APB	Mr Phamomphone Pouthakeo	Technical Staff
14	APB	Mr Vanlasine Sihalat	Technical Staff
15	APB	Mrs Phetdavone Phouthavong	Technical Staff
16	APB	MsVayouly Keovongkoth	Technical Staff
17	APB	Mr Souksavanh Songvilay	Technical Staff
18	APB	Mrs Soulilammone Vilayvieng	Technical Staff
19	APB	Mrs Viengsamone	Technical Staff
20	APB	Mr Thanongxay Gindamany	Technical Staff
21	APB	Mr Khamphoung Douangsisarth	Technical Staff
22	APB	Mr La Phommasaixy	Technical Staff
23	APB	Mr Phonexay Dethvongsa	Technical Staff
24	APB	Mr Souvanxay Sangchandala	Technical Staff
25	APB	Mr Fangthong Douangphila	Technical Staff
26	APB	Mrs Phetsamay Sidachan	Head of HR Division
27	APB	Mr Bandith Sangdavong	Head of HR Section
28	Coffey	Mr Jon Wynne-Williams	Principal
29		Mr Saysanith Vongviengkham	Translator

Timetable

	Day 1 – Attention to Detail, Time Management and Problem Solving	Day 2 – Problem Solving	Day 3 – Problem Solving, Planning and Organising	Day 4 – Planning and Organising, Project Management	Day 5 – Change Management
1st Morning Session	11 Introduction 12 Course Objectives 13 The Obstacle Course 14 Quick Quiz	21 Little Known Talent 22 Problem Solving Tools 2 - Pareto 23 The Pareto Effect in APB	31 Problem Solving Tools 5 - SWOT Analysis 32 The Problem Solving Process	41 The Planning Cycle 42 Bar Charts 43 Bar Chart Exercise	51 Change Management Theory
Break					
2nd Morning Session	1.5 Priority and Importance 1.6 Time and Productivity	2.4 The Pareto Effect in APB Continued 2.5 Problem Solving Tools 3 – Brain storming 2.6 The Day 4 and Day 5 Challenges	33 Problem Solving Exercise 34 Work on Challenges	44 Planning Exercise	52 Change Management Exercise
Lunch					
1st Afternoon Session	1.7 The Horse 1.8 Introduction to Problem Solving	27 Problem Solving Tools 4 - Flow Charts	3.5 Aeroplanes 3.6 Leadership styles	44 Planning Exercise 45 Day 4 Challenge	53 Day 5 Challenge
Break					
2nd Afternoon Session	3.7 Problem Solving Tools 1 – So What? 3.8 Recapitulation, Questions and Answers	28 The APB TV Commercial 29 Recapitulation, Questions and Answers	37 Goal setting 38 High performance	45 Day 4 Challenge 46 Recapitulation and Questions	54 Wrap Up

No	Organization	Name and Surname	Position
32	Naxaithong Rural Development Cooperative	Mr Somchit Bouleum	Manager
33	FC	Ms Souliphonesit	
34	BOL	Mr Bounsong Sommalavong	Vice Governor
35	BOL	Mr Phouthaxay Sivixay	Acting Director General, BFSD
36	BOL	Mr Kongthong Vongduangchane	Deputy Director General, BFSD
37	BOL	Mrs Keasone Manivong	Head of Microfinance Division, BFSD
38	BOL	Mrs Phonesavane Kotsouvanh	Deputy Head of Microfinance Division, BFSD
39	BOL	Mrs Photichane Thammateva	Head of Microfinance Division, BFSD
40	BFSD, BOL	Mrs Phetsamone Chandala	Technical Staff
41	BFSD, BOL	Ms Bouethong Kansabapt	Technical Staff
42	BFSD, BOL	Ms Phaphet Julamonty	Technical Staff
43	BFSD, BOL	Mr Saykham Damlongboun	Technical Staff
44	BFSD, BOL	Mr Valasinh Daraphone	Technical Staff
45	BFSD, BOL	Mr Yealor Hongnou	Technical Staff
46	BFSD, BOL	Mr Chanthalanone Sangsaiyalath	Technical Staff
47	BFSD, BOL	Mr Tona Vongpraseuth	Technical Staff
48	BFSD, BOL	Ms Sisouvanh Sisavath	Technical Staff
49	BFSD, BOL	Ms Chansamone Chanthivong	Technical Staff
50	BFSD, BOL	Mr Arphilome Vilayhong	Technical Staff
51	Coffey	Mr Jon Wynne Williams	Team Leader
52	Coffey	Mrs Sinipha Khamphoui	Banking Sector Specialist
53	JFPR 9095	Ms Ursula Hammerich	Project Coordinator
54	EBIT	Mr Kongpasa Sangsoulivong	Consultant
55	BOL	Mr Vanhkhram	Head of Division
56	BOL	Mr Xayleusa Phouiyavong	Head of Division
57	Parkguem District	Mr Vongdeaun Bounyasang	Deputy Governor
58	Nam Thueum II	Mr Somkiat Suttiwanich	
59	LWU Khammouan Province	Mrs Thipsavanh Anouvong	Head of Administrative Office
60	LWU VTE Province	Ms Khamkeung Sounantha	Head of Advertising Section
61	LWU Bolikhamxay Province	Ms Khanthong Phanthachack	Head of Administrative Office

No	Organization	Name and Surname	Position
62	Phonhong District	Mr Vanheung Khamphengxay	Representative from District Governor
63	Thoulakhom Districts	Ms TheoNgeurn Xamounty	Party Committee
64	CCSA Hongsa-Nguenh	Mr Chaikham Lorbanlith	Manager
65	CCSA Khop-Xienghon	Mr Bouaphanh Noukhammanivong	Manager
66	Seno SCU	Mr Chanthilavong Souvannavong	Deputy Manager
67	VTE SCU	Mr Sithon Siliphong	Manager
68	LPB SCU	Mr Phougphat Bouppha	Auditor
69	Thakheak SCU	Mr Phouvong Xaiyasith	Managing Director
70	Hoamchaipattana SCU	Mrs Boutsady Khammanivong	Manager
71	Parksong SCU	Mr Vone Chanthavong	Manager
72		Mr Soulivanh	Interpreter

Timetable

Session	Time	Topics
1	08:00-08:30	Registration
	08:30-08:45	Welcome guests and present objectives of the workshop
	08:45-09:00	Opening Remarks
	09:00-09:30	Presenting Revised Saving and Credit Unions (SCUs) Regulation (SCUs)
Break	09:30 – 09:45	
2	09:45-11:45	Presenting Revised Saving and Credit Unions (SCUs) Regulation (Continued)
	11:15-11:45	Presenting Revised Non Deposit-Taking Microfinance Institutions (NDTMFI) Regulation
Lunch	11:45 – 13:15	
3	13:15-14:15	Questions and Answers
	14:15-14:45	Progress To Date of Catalyzing Microfinance for the Poor (JFPR9095) and Announcement of Second Round Grant Opening
Break	14:30 – 14:45	
4	15:15-15:45	Wrap-up
	15:45-16:00	Closing Remarks

FINANCIAL PLANNING MODEL TRAINING, 3 APRIL 2009**Participants**

No	Organization	Name and Surname	Position
1	APB	Mr Bounyou Meungmahavong	Head of Credit Division
2	APB	Ms Somchan Nanthavong	Head of Accounting Division
3	APB	Mr Khamphoung Phaobouavong	Acting Head of Planning and International Relations Division
4	APB	Mr Phanomphone Phouthakeo	Head of IT Unit
5	APB	Ms Lattana Souphaphan	Technical staff, It Centre
6	APB	Ms Vayouly Keovongkot	Technical staff, Planning and International Relations Division
7	APB	Mr Phouvanh Sisack	Technical staff, Planning and International Relations Division
8	APB	Ms Latdavanh Soutsada	Technical staff, Planning and International Relations Division
9	APB	Mr Athitpasong Phorsanasomboun	Technical staff, IT Centre
10	TA4827	Dr Mick Lloyd	Coperate Planning Specialist
11	TA4827	Ms Sinipha Khamphoui	Bank and Finance Specialist

Timetable

Session	Time	Topics
1	10:00-10:30	Financial Planning Model (FPM) Concept and Role in APB Corporate Planning
	10:30-10:45	Relationship between FPM and APB Information and Communications Technology (ICT)
	10:45-11:00	Use of International Financial Reporting Standards (IFRS) financial statements for FPM and Corporate Planning
	11:00-12:00	Entering latest IFRS financial statements and associated data
Lunch	12:00 – 12:30	
2	12:30-13:00	Key assumptions used in FPM projections and corporate planning
	13:00-14:00	Entering key assumptions for FPM projections
	14:00-14:45	Reviewing impact of assumptions on FPM projections and APB performance
	14:45-15:00	Discussion and conclusion

MICROFINANCE REGULATIONS DISEMINATION WORKSHOP, 24 JULY 2009**Participants**

No	Organization	Name and Surname	Position
1	BOL	Mr. Bounsong Sommalavong	Vice Governor
2	BOL, IRD	Mr. Phanthaboun Sayyaphet	Deputy Director General
3	BOL, MPD	Mrs. Phetsamone Sengchanh	Technical Staff
4	MOF, SoE FM	Mr. Somphavanh	Technical Staff
5	MOAF	Mr. Somchit Phanhnoulad	Deputy Head of Division
6	MOFA	Mr. Chanh Samone Xaykhanhaya	Deputy Head of Division
7	NERI	Mrs. Dokpha Siyotha	Technical Staff
8	Lao National Construction Organization	Mrs. Siphachanh Nanthavongsa	Deputy Director of Cabinet Office
9	Lao Woman's Union	Mrs. Sirikit Bouppha	Director General
10	Domestic Trade Promotion, MOC	Mr. Sounthorn Chanthilad	Director General
11	Poverty Reduction and Rural Development Fund	Mr. Sourivong Xayyavong	Technical Staff
12	Nayaby Bank	Mr. Bounseng Luangsouvannavong	Deputy Director
13	APB	Mr. Bounvong Duangdokket	Director General
14	World Bank	Mr. Sengxay	RSD Socialist
15	TA 4827 (ADB)	Ms. Sinipha Khamphoui	Finance Sector Specialist
16	GTZ	Mr. Bandith Sisoukda	Advisor
17	ILO	Mr. Phetphim Champasith	NPA
18	JFPR 9095	Ursula Hammerich	Project Coordinator
19	JFPR 9095	Mr. Khamphat	Microfinance Specialist
20	Saving Banks Foundation	Mr. Bernd Werthenbach	Project Director
21	LCSAPA	Mr. Siththixay Insixiangmay	Technical Staff
22	Woman and Community Development Project	Mr. Khanthorn Phameung	Manager
23	Nam Ngeum Watershed Project	Mrs. Viengkham	Head of Finance
24	PCADR	Mr. Jayyava Vongthongchit	Technical Staff
25	EMFI	Mr. Chantha Mingbouppha	Deputy Director
26	Newton MFI	Mrs. Souvannaheung	Manager
27	BFSD, BOL	Mr. Phouthaxay Sivilay	Acting Director General
28	BFSD, BOL	Mrs. Keasone Manivong	Head of MFI Division

No	Organization	Name and Surname	Position
29	BFSD, BOL	Mrs. Phetsamone Chandala	Technical Staff
30	BFSD, BOL	Ms. Bouethong Kansabapt	Technical Staff
31	BFSD, BOL	Mr. Saykham Damlongboun	Technical Staff
32	BFSD, BOL	Mr. Chanthalanone Sangsaiyalath	Technical Staff
33	BFSD, BOL	Ms. Sisouvanh Sisavath	Technical Staff
35	BFSD, BOL	Ms. Chansamone Chanthivong	Technical Staff
36	ADB	Mr. Somphone Sisenglath	ADB Consultant/EMFI Director
37	ADB	Mr. Timo Hogenhout	Microfinance Advisor
38	Sayseththa District	Mr. Khamphasong Vongsavanhthong	Head of Planning Office
39	Sikhottabong District	Mr. Khamphaseuth Phiphak	Deputy Head District
40	Sisattanak District	Mr. Bounkham Vilalaysi	Deputy Head District
41	Xaythani District	Mr. Bounsy Kongboud	Deputy Head District
42	Chanthaboury District	Mr. Sengphone Souvanni	Deputy Head District

**APPENDIX E UPDATED ACTION PLAN FOR IMPLEMENTATION
OF THE REFORM PROGRAM FOR THE RURAL
AND MICRO FINANCE SECTOR IN LAO PDR**

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX E UPDATED ACTION PLAN FOR IMPLEMENTATION OF THE REFORM PROGRAM FOR THE RURAL AND MICRO FINANCE SECTOR IN LAO PDR

BACKGROUND

Government Policy

1 In November 2003 the Prime Minister's Office (PMO) approved a national "Policy Statement for the Development of a Sustainable Rural and Microfinance Sector" (the Policy Statement), prepared by the Rural and Microfinance Committee (RMFC)¹ of the Bank of Lao PDR (BOL). The Government's Policy Statement asserts that sustainable rural and micro finance can be effective tools for poverty reduction to help Lao PDR to emerge from LDC status by 2020.

2 The Policy Statement has four major, inter-related themes: expansion, independence, sustainability and security and outlines some important underlying principles for the development of the sector.

- Expansion
 - The rural and micro finance sector will expand significantly to increase outreach to a greater number of poor in Lao PDR. This calls for an enabling environment to allow the emergence of new rural and micro finance institutions and the expansion by existing MFIs. This expansion will take time and require experimenting with different methodologies. The aim is for rural and micro finance services to reach a larger number of people.
- Diversity of Ownership
 - The sector will include a diversity of independent MFIs. To date, most of the rural and microfinance programmes have operated under public authorities. The reform programme will enable different models of MFIs to emerge, such as private companies, credit unions, cooperatives, private and/or public specialised banks. This will include a diversity of legal ownership, including private and/or public ownership and autonomy of management. National laws and legal instruments will support the development of the sector.
- Sustainability
 - The sector will gradually become sustainable. Sustainability is recognised as essential to: ensure longevity of sector; ensure integrity of the financial system; ensure large outreach; ensure independence from national budget; reduce reliance on subsidies from the Government or donors.
- Security
 - The environment will ensure security for depositors. To protect depositors, MFIs that mobilise voluntary saving from general public will be required to comply with prudential regulations. An appropriate legal and regulatory framework will be designed and implemented. Supervision of MFIs, especially large deposit taking MFIs, will be strengthened in order to ensure depositors' protection.

Original Action Plan

3 The Policy statement was accompanied by an Action Plan (mid 2003 to end 2005) to implement reform of the RMF sector. This addressed three areas:

- building common understanding and consensus on the Government's policy and vision for the RMF reform;

¹ RMFC comprised representatives from BOL, APB, Ministry of justice, Ministry of Agriculture, Prime Minister's Office, Ministry of Finance and the Committee for Planning and Investment.

- strengthening existing RMF initiatives and institutions to ensure that the industry will become sustainable and can contribute to poverty reduction; and
- developing an enabling legal framework for the establishment and operation of different types of MFIs.

Building Common Understanding and Consensus

4 The Action Plan included requirements for:

- dissemination of the Policy Statement and action plan to high level authorities and RMF industry stakeholders;
- provincial workshops to sensitize officials at local levels;
- development of MFI regulations; and
- the organisation of annual high level workshops to monitor progress of the reform program.

5 These actions have been achieved except for the maintenance of annual high level workshops to monitor progress of the reforms, but new resources are now in place to finance this activity. The regulations originally formed with assistance from FIRST and ADB for MFIs and from ADB for Savings and Credit Unions are being updated and harmonised in 2007.

Strengthening Existing RMF Initiatives and Institutions

6 The Action Plan included requirements for:

- reforming APB into a market-oriented institution and removal of interest rate subsidies;
- development of appropriate prudential regulations to supervise APB and large deposit-taking MFIs;
- quarterly consultations between the Government and rural and microfinance institutions to review progress with Action Plan implementation;
- conducting studies and disseminating results of different microfinance practices to all stakeholders to enhance understanding (with assistance from the National Economic Research Institute (NERI) and Concern Worldwide);
- coordinating the RMF reform program with the state-owned commercial bank restructuring program (SBRP);
- encouraging RMF service providers to organise client training; and
- assess the potential of large RMF initiatives.

7 These actions have been partially achieved. Interest rate subsidies have been largely removed from APB's operations, but have been transferred to Nayoby Bank (rather than abolished). APB has been placed under the same supervision regime as commercial banks. Large deposit-taking MFIs are subject to prudential regulations. Various consultations have taken place between Government and RMF institutions, but have been more sporadic than quarterly. NERI and Concern have carried out research on the RMF sector and published the results. The RMF reform program has been coordinated with the SBRP.

8 There has been little active encouragement of RMF service providers to organise client training and the potential for large RMF initiatives has not been assessed. However, new technical assistance from the Asian Development Bank (ADB)² is tasked with promoting microfinance best practices through workshops and training for MFI practitioners and government officials, and with assessing the feasibility of a national level MFI.

² TA (JFPR 9095) "Catalyzing Microfinance for the Poor" 2007-2009

Developing an Enabling Legal Framework

9 The Action Plan included requirements for:

- reviewing policy and legal issues and developing legal instruments for the Lao RMF sector;
- dissemination of legal instruments; and
- promotion of implementation of legal instruments.

10 Two main legal instruments were developed initially. These were pilot regulations for Savings and Credit Unions and BOL Regulation 10 for MFIs (both deposit-taking and non-deposit-taking). The regulations are in use in practice in the SCUs and one new deposit-taking MFI, but progress has not been made with obtaining any compliance for any other existing MFI activities.

11 The regulations are being updated in 2007 to: harmonise the pilot SCU regulations with the MFI regulations and convert them from pilot status to full regulations; and separate the regulations for deposit-taking MFIs and non-deposit-taking MFIs. Dissemination and consultation over the regulations is on-going.

Updating the Action Plan

12 The Action Plan was not officially updated at the end of 2005. Some activities continued and some did not. With the approval of the ADB-financed Rural Finance Sector Development Program Loan (RFSDP) on 17 August 2006, signature of agreements between ADB and the Government on 30 November 2006, and effectiveness on 12 March 2007 there is a new development assistance framework to support the implementation of the Policy Statement and a new set of agreed activities for the Government in the RMF sector. The Government's commitments under RFSDP present the opportunity and the necessity for an updated Action Plan.

13 RFSDP comprises a program loan, a project loan and three supporting technical assistance initiatives.

The Program Loan

14 Specifically, the program loan is promoting the development of a sustainable and market-oriented rural and microfinance sector by helping the Government implement the policy reforms embodied in its strategy to promote the sector.

15 The program loan (Loan 2252) is for \$7.684 million and is linked to four areas of policy action by the Government:

- creating an enabling policy framework for public and private provision of rural and microfinance;
- creating a sound prudential regulatory and supervisory environment for public and private rural and microfinance institutions;
- transforming APB into a financially self-sustainable, market-oriented rural finance institution; and
- creating a supportive non-prudential regulatory environment for rural and microfinance.

16 The first tranche of the program loan has been released. The second tranche release conditions need to be met by December 2007, and the conditions for the third tranche release by June 2009. Tranches are released subject to the Government fulfilling the policy actions of the program. The Executing Agency is BOL.

The Project Loan

17 The project loan (Loan 2253) aims to strengthen BOL's supervision capacity and support APB's restructuring plan. Its components are:

- a TA to build BOL's MFI supervision capacity for about \$0.28 million, financed by FIRST;

- elements of capacity building under APB's restructuring plan for about \$1.2 million focused on risk management, accounting and ICT; and
- upgrading APB's ICT system with funding of about \$1.1 million.

18 The project loan is being implemented over 2006 – 2010. APB is the Executing Agency.

TA for MFI Development

19 TA (JFPR 9095 – Catalyzing Microfinance for the Poor) aims to support the development of a diverse and competitive sector of private, sustainable MFIs operating on best-practice principles and serving the poor. The components are:

- establishing a Microfinance Fund under BOL (\$800,000) to provide matching grants for seed capital, equipment, and capacity building in new, young, and promising MFIs;
- promoting microfinance best practices through workshops and training for MFI practitioners and Government officials; and
- preparing a plan to create a nation-wide MFI.

The TA is being implemented between 2007 and 2009. BOL is the Executing Agency.

TA for APB's ICT/MIS Upgrading

20 TA (JFICT 9096 – Upgrading ICT and MIS at the Agricultural Promotion Bank) for about \$472,000 is providing technical support to implementing the upgrade of APB's ICT that is being funded under Loan 2253. It will provide ICT/MIS training and capacity building for APB staff in parallel with the procurement, installation and handover of the upgrade. APB is the executing agency.

TA for Institutional Strengthening

21 This TA (4827-LAO – Institutional Strengthening of Rural Finance) for about \$700,000 aims to support the implementation of the policy reform agenda (of Loan 2252). Its components are:

- assisting BOL with the ongoing development of enabling policies and a strategy for rural and microfinance development; and
- assisting with the restructuring of APB to restore it to financial health, operating on a commercial and autonomous basis with extended outreach.

22 The TA is being implemented between 2007 and 2009. BOL and APB are both Executing Agencies for their respective parts of the TA.

THE UPDATED ACTION PLAN

23 Table 1 presents the [proposed] updated Action Plan for mid 2007 to end 2010. The Action Plan will be reviewed semi-annually and further updated as RMF sector development needs become apparent. The grouping of activities under the updated Action Plan is coincidental with the three ongoing components of the Government's policy matrix for RFSDP implementation. This is structured in terms of:

- creating an enabling policy framework for public and private provision of rural and microfinance;
- creating a sound prudential regulatory and supervisory environment for public and private rural and microfinance institutions; and
- transforming APB into a Financially Self-Sustainable, Market-Oriented Rural Finance Institution.

APPENDIX F APB PERFORMANCE AGAINST TARGET

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX F APB PERFORMANCE AGAINST TARGETS

Loans

APB Loan Performance as at 31 December 2007

Branch	2007							
	Number of Accounts	Number of Credit Officers	Accounts per Credit Officer	Outstanding Loans per Credit Officer (Kip)	Target (Kip)	Actual (Kip)	Variance (Kip)	Variance %
Head Office					0	0	0	0
Vientiane Capital	1,214	42	29	2,606,070,500	141,296,000,000	109,454,960,982	(31,841,039,018)	(23)
Savannakhet Province	758	21	36	1,052,900,336	24,300,000,000	22,110,907,050	(2,189,092,950)	(9)
Luang Prabang Province	400	6	67	1,630,954,000	10,760,000,000	9,785,724,000	(974,276,000)	(9)
Vientiane Province	1,133	31	37	621,864,328	20,910,000,000	19,277,794,180	(1,632,205,820)	(8)
Bokeo Province	348	9	39	763,290,778	7,500,000,000	6,869,617,000	(630,383,000)	(8)
Xiengkhoung Province	643	14	46	1,181,373,250	18,970,000,000	16,539,225,500	(2,430,774,500)	(13)
Bolikhamxay Province	523	12	44	1,914,417,996	25,600,000,000	22,973,015,950	(2,626,984,050)	(10)
Sayabuly Province	360	13	28	905,293,717	13,599,000,000	11,768,818,320	(1,830,181,680)	(13)
Salavan Province	682	10	68	1,000,204,550	11,300,000,000	10,002,045,500	(1,297,954,500)	(11)
Khammouan Province	467	12	39	1,839,225,000	21,500,000,000	22,070,700,000	570,700,000	3
Oudomxay Province	533	7	76	1,810,620,714	13,500,000,000	12,674,345,000	(825,655,000)	(6)
Sekong Province	173	5	35	1,063,641,700	5,175,000,000	5,318,208,500	143,208,500	3
Attapeu Province	525	5	105	1,333,804,340	8,050,000,000	6,669,021,700	(1,380,978,300)	(17)
Houaphan Province	506	11	46	1,141,464,095	12,051,000,000	12,556,105,042	505,105,042	4
Louang Namtha Province	969	8	121	1,447,244,438	11,600,000,000	11,577,955,500	(22,044,500)	(0)
Phongsaly Province	511	7	73	773,811,071	9,940,000,000	5,416,677,500	(4,523,322,500)	(46)
Champasack Province	1,053	40	26	351,817,696	17,358,000,000	14,072,707,842	(3,285,292,158)	(19)
Total	10,798	253	43	1,261,414,346	373,409,000,000	319,137,829,566	(54,271,170,434)	(15)

APB Loan Performance as at 31 December 2008

Branch	2008							
	Number of Accounts	Number of Credit Officers	Accounts per Credit Officer	Outstanding Loans per Credit Officer (Kip)	Target (Kip)	Actual (Kip)	Variance (Kip)	Variance %
Head Office	0	11	0	8,501,818,182	0	0	0	0
Vientiane Capital	2,322	31	75	5,374,040,694	120,000,000,000	166,595,261,528	46,595,261,528	39
Savannakhet Province	1,361	21	65	2,517,096,514	31,250,000,000	52,859,026,784	21,609,026,784	69
Luang Prabang Province	548	5	110	3,381,555,600	15,580,000,000	16,907,778,000	1,327,778,000	9
Vientiane Province	1,286	31	41	1,217,022,288	26,000,000,000	37,727,690,940	11,727,690,940	45
Bokeo Province	649	9	72	2,041,113,019	11,300,000,000	18,370,017,175	7,070,017,175	63
Xiengkhoung Province	946	14	68	2,589,962,643	23,400,000,000	36,259,477,000	12,859,477,000	55
Bolikhamxay Province	806	10	81	3,881,480,333	27,780,000,000	38,814,803,330	11,034,803,330	40
Sayabuly Province	854	13	66	3,115,689,728	18,650,000,000	40,503,966,460	21,853,966,460	117
Salavan Province	612	8	77	2,042,881,613	13,000,000,000	16,343,052,900	3,343,052,900	26
Khammouan Province	698	12	58	4,735,934,618	24,400,000,000	56,831,215,420	32,431,215,420	133
Oudomxay Province	631	7	90	3,317,578,929	16,100,000,000	23,223,052,500	7,123,052,500	44
Sekong Province	298	5	60	2,313,590,900	7,200,000,000	11,567,954,500	4,367,954,500	61
Attapue Province	737	4	184	4,545,101,625	11,700,000,000	18,180,406,500	6,480,406,500	55
Houaphan Province	463	13	36	1,339,068,788	15,500,000,000	17,407,894,242	1,907,894,242	12
Louang Namtha Province	946	9	105	2,027,418,944	16,100,000,000	18,246,770,500	2,146,770,500	13
Phongsaly Province	602	5	120	2,135,687,000	8,040,000,000	10,678,435,000	2,638,435,000	33
Champasack Province	1,523	42	36	727,694,780	25,000,000,000	30,563,180,750	5,563,180,750	22
Total	15,282	250	61	2,818,399,934	411,000,000,000	611,079,983,529	200,079,529	49

APB Loan Performance as at 31 March 2009

Branch	March 2009							
	Number of Accounts	Number of Credit Officers	Accounts per Credit Officer	Outstanding Loans per Credit Officer (Kip)	Target (Kip)	Actual (Kip)	Variance (Kip)	Variance %
Head Office	0	0	0	0	0	0	0	0
Vientiane Capital	2,690	47	57	4,260,947,763	217,000,000,000	200,264,544,845	(16,735,455,155)	(8)
Savannakhet Province	1,421	26	55	2,205,275,388	60,800,000,000	57,337,160,080	(3,462,839,920)	(6)
Luang Prabang Province	482	9	54	2,268,357,667	24,100,000,000	20,415,219,000	(3,684,781,000)	(15)
Vientiane Province	1,860	34	55	1,112,944,706	43,780,000,000	37,840,120,000	(5,939,880,000)	(14)
Bokeo Province	675	11	61	1,849,880,864	22,100,000,000	20,348,689,505	(1,751,310,495)	(8)
Xiengkhouang Province	981	19	52	1,917,706,632	43,000,000,000	36,436,426,000	(6,563,574,000)	(15)
Bolikhamxay Province	872	14	62	2,820,087,232	46,350,000,000	39,481,221,250	(6,868,778,750)	(15)
Sayabuly Province	826	18	46	2,167,546,431	48,700,000,000	39,015,835,750	(9,684,164,250)	(20)
Salavan Province	930	13	72	1,325,963,192	22,300,000,000	17,237,521,500	(5,062,478,500)	(23)
Khammouan Province	602	14	43	4,287,499,904	63,670,000,000	60,024,998,660	(3,645,001,340)	(6)
Oudomxay Province	582	12	49	1,951,453,750	29,050,000,000	23,417,445,000	(5,632,555,000)	(19)
Sekong Province	331	10	33	1,372,344,900	13,070,000,000	13,723,449,000	653,449,000	5
Attapeu Province	741	11	67	1,703,313,182	21,136,000,000	18,736,445,000	(2,399,555,000)	(11)
Houaphan Province	504	21	24	862,961,824	23,000,000,000	18,122,198,300	(4,877,801,700)	(21)
Louang Namtha Province	968	13	74	1,513,443,615	22,123,000,000	19,674,767,000	(2,448,233,000)	(11)
Phongsaly Province	689	7	98	2,019,801,000	17,020,000,000	14,138,607,000	(2,881,393,000)	(17)
Champasack Province	1,515	43	35	648,319,355	50,400,000,000	27,877,732,250	(22,522,267,750)	(45)
Total	16,669	322	52	2,062,398,696	767,599,000,000	664,092,380,140	(103,506,619,860)	(13)

APB Savings Performance as at 31 March 2009

Branch	As of March 2009		
	Target (Kip)	Actual (Kip)	Variance (Kip)
Head Office	1,500,000,000	0	(1,500,000,000)
Vientiane Capital	472,170,000,000	398,652,171,166	(73,517,828,834)
Savannakhet Province	56,420,000,000	50,232,034,531	(6,187,965,469)
Luang Prabang Province	19,000,000,000	15,365,529,287	(3,634,470,713)
Vientiane Province	56,100,000,000	44,280,240,570	(11,819,759,430)
Bokeo Province	24,750,000,000	20,084,373,394	(4,665,626,606)
Xiengkhouang Province	29,400,000,000	24,450,345,505	(4,949,654,495)
Bolikhamxay Province	40,050,000,000	34,015,979,950	(6,034,020,050)
Sayabuly Province	35,900,000,000	2,293,026,977	(33,606,973,023)
Salavan Province	18,600,000,000	7,925,221,601	(18,600,000,000)
Khammouan Province	31,550,000,000	26,981,972,667	(4,568,027,333)
Oudomxay Province	28,700,000,000	24,646,445,390	(4,053,554,610)
Sekong Province	11,355,000,000	6,924,500,000	(4,430,500,000)
Attapue Province	14,650,000,000	11,556,000,000	(3,094,000,000)
Houaphan Province	39,400,000,000	33,963,898,438	(5,436,101,562)
Louang Namtha Province	23,935,000,000	16,184,377,038	(7,750,622,962)
Phongsaly Province	23,570,000,000	16,371,736,564	(7,198,263,436)
Champasack Province	35,660,000,000	28,006,178,600	(7,653,821,400)
Total	962,710,000,000	761,934,031,678	(200,775,968,322)
			(100)
			(16)
			(11)
			(19)
			(21)
			(19)
			(17)
			(15)
			(94)
			(100)
			(14)
			(14)
			(39)
			(21)
			(14)
			(32)
			(31)
			(21)
			(21)

Non-Performing Loans**APB Non-Performing Loans Performance as at 31 December 2007**

Branch	2007		
	Target (Kip)	Actual (Kip)	Variance (Kip)
Vientiane Capital	67,000,000,000	48,277,509,174	(18,722,490,826)
Savannakhet Province	5,200,000,000	1,330,666,550	(3,869,333,450)
Luang Prabang Province	80,000,000	44,400,000	(35,600,000)
Vientiane Province	1,500,000,000	788,091,480	(711,908,520)
Bokeo Province	1,500,000,000	0	(1,500,000,000)
Xiengkhouang Province	600,000,000	570,915,500	(29,084,500)
Bolikhamxay Province	5,000,000,000	407,269,500	(4,592,730,500)
Sayabuly Province	127,000,000	116,198,000	(10,802,000)
Salavan Province	2,200,000,000	271,491,500	(1,928,508,500)
Khammouan Province	1,500,000,000	859,454,000	(640,546,000)
Oudomxay Province	100,000,000	10,050,000	(89,950,000)
Sekong Province	375,000,000	230,942,000	(144,058,000)
Attapue Province	600,000,000	73,612,200	(526,387,800)
Houaphan Province	3,259,000,000	4,105,853,742	846,853,742
Louang Namtha Province	100,000,000	61,910,500	(38,089,500)
Phongsaly Province	86,000,000	26,991,500	(59,008,500)
Champasack Province	4,358,000,000	900,009,842	(3,457,990,158)
Total	93,585,000,000	58,075,365,488	(35,509,634,512)
			(28)
			(74)
			(45)
			(47)
			(100)
			(5)
			(92)
			(9)
			(88)
			(43)
			(90)
			(38)
			(88)
			26
			(38)
			(69)
			(79)
			(38)

APB Non-Performing Loans Performance as at 31 December 2008

Branch	2008			
	Target (Kip)	Actual (Kip)	Variance (Kip)	Variance %
Vientiane Capital	30,000,000,000	17,118,710,604	(12,881,289,396)	(43)
Savannakhet Province	1,250,000,000	2,552,345,700	1,302,345,700	104
Luang Prabang Province	80,000,000	102,371,000	22,371,000	28
Vientiane Province	1,000,000,000	780,725,940	(219,274,060)	(22)
Bokeo Province	300,000,000	109,889,500	(190,110,500)	(63)
Xiengkhouang Province	400,000,000	1,266,120,000	866,120,000	217
Bolikhamxay Province	780,000,000	352,505,000	(427,495,000)	(55)
Sayabuly Province	150,000,000	200,136,500	50,136,500	33
Salavan Province	300,000,000	519,458,000	219,458,000	73
Khammouan Province	900,000,000	671,920,000	(228,080,000)	(25)
Oudomxay Province	100,000,000	3,579,000	(96,421,000)	(96)
Sekong Province	200,000,000	77,185,000	(122,815,000)	(61)
Attapue Province	100,000,000	36,088,500	(63,911,500)	(64)
Houaphan Province	2,500,000,000	1,977,694,242	(522,305,758)	(21)
Louang Namtha Province	100,000,000	123,782,500	23,782,500	24
Phongsaly Province	40,000,000	5,000,000	(35,000,000)	(88)
Champasack Province	1,000,000,000	440,291,750	(559,708,250)	(56)
Total	39,200,000,000	26,337,803,236	(12,862,196,764)	(33)

APB Non-Performing Loans Performance as at 31 March 2009

Branch	As of March 2009			Variance %
	Target (Kip)	Actual (Kip)	Variance (Kip)	
Vientiane Capital	17,000,000,000	23,528,907,476	6,528,907,476	38
Savannakhet Province	1,800,000,000	2,942,122,500	1,142,122,500	63
Luang Prabang Province	100,000,000	93,271,000	(6,729,000)	(7)
Vientiane Province	780,000,000	828,436,940	48,436,940	6
Bokeo Province	100,000,000	0	(100,000,000)	(100)
Xiengkhouang Province	1,000,000,000	1,869,648,000	869,648,000	87
Bolikhamxay Province	350,000,000	433,872,000	83,872,000	24
Sayabuly Province	200,000,000	600,307,350	400,307,350	200
Salavan Province	500,000,000	1,499,920,500	999,920,500	200
Khammouan Province	670,000,000	691,327,000	21,327,000	3
Oudomxay Province	50,000,000	197,808,500	147,808,500	296
Sekong Province	70,000,000	95,021,000	25,021,000	36
Attapue Province	36,000,000	25,693,000	(10,307,000)	(29)
Houaphan Province	1,000,000,000	1,877,848,300	877,848,300	88
Louang Namtha Province	123,000,000	154,250,000	31,250,000	25
Phongsaly Province	20,000,000	370,767,000	350,767,000	1,754
Champasack Province	400,000,000	547,424,750	147,424,750	37
Total	24,199,000,000	35,756,625,316	11,557,625,316	48

Profit and Loss

APB Profit and Loss Performance as at 31 December 2007

Branch	2007		
	Target (Kip)	Actual (Kip)	Variance (Kip)
Head Office	(2,810,209,000)	(4,524,284,947)	(1,714,075,947)
Vientiane Capital	(12,654,300,000)	(14,487,784,047)	(1,833,484,047)
Savannakhet Province	264,000,000	264,317,607	317,607
Luang Prabang Province	904,000,000	911,063,813	7,063,813
Vientiane Province	352,000,000	358,602,968	6,602,968
Bokeo Province	107,600,000	472,447,687	364,847,687
Xiengkhouang Province	140,500,000	173,754,476	33,254,476
Bolikhamxay Province	30,200,000	33,829,565	3,629,565
Sayabuly Province	215,000,000	258,254,427	43,254,427
Salavan Province	(192,600,000)	(214,893,296)	(22,293,296)
Khammouan Province	162,300,000	80,630,605	(81,669,395)
Oudomxay Province	137,500,000	222,499,296	84,999,296
Sekong Province	(650,900,000)	(456,577,243)	194,322,757
Attapue Province	90,000,000	163,522,193	73,522,193
Houaphan Province	133,000,000	113,667,215	(19,332,785)
Louang Namtha Province	51,900,000	84,478,063	32,578,063
Phongsaly Province	54,216,500	(383,529,613)	(437,746,113)
Champasack Province	(117,700,000)	(1,169,064,005)	(1,051,364,005)
Total	(13,783,492,500)	(18,099,065,237)	(4,315,572,737)
			(31.31)

APB Profit and Loss Performance as at 31 December 2008

Branch	2008			Variance (Kip)	Variance %
	Target (Kip)	Actual (Kip)			
Head Office	(4,668,000,000)	(8,185,674,666)	(3,517,674,666)	(75.36)	
Vientiane Capital	15,399,000,000	24,455,779,988	9,056,779,988	58.81	
Savannakhet Province	400,500,000	1,083,961,571	683,461,571	170.65	
Luang Prabang Province	798,500,000	262,572,436	(535,927,564)	(67.12)	
Vientiane Province	321,000,000	360,900,550	39,900,550	12.43	
Bokeo Province	580,000,000	98,800,146	(481,199,854)	(82.97)	
Xiengkhouang Province	494,000,000	201,420,372	(292,579,628)	(59.23)	
Bolikhamxay Province	168,000,000	(55,194,418)	(223,194,418)	(132.85)	
Sayabuly Province	554,000,000	494,237,750	(59,762,250)	(10.79)	
Salavan Province	2,000,000	(310,748,178)	(312,748,178)	(15,637.41)	
Khammouan Province	239,000,000	(227,543,003)	(466,543,003)	(195.21)	
Oudomxay Province	345,000,000	274,663,385	(70,336,615)	(20.39)	
Sekong Province	1,579,500,000	(832,596,083)	(2,412,096,083)	(152.71)	
Attapue Province	315,000,000	(165,171,237)	(480,171,237)	(152.44)	
Houaphan Province	243,000,000	(928,591,393)	(1,171,591,393)	(482.14)	
Louang Namtha Province	193,500,000	(150,613,881)	(344,113,881)	(177.84)	
Phongsaly Province	495,000,000	(58,815,869)	(553,815,869)	(111.88)	
Champasack Province	203,000,000	(222,205,353)	(425,205,353)	(209.46)	
Total	17,662,000,000	16,095,182,116	(1,566,817,884)	(8.87)	

APB Profit and Loss Performance as at 31 March 2009

Branch	As of March 2009			
	Annual Target (Kip)	Estimated to March 2009	Actual (Kip)	Variance (Kip)
Head Office	(6,290,000,000)	(1,572,500,000)	1,475,845,440	3,048,345,440
Vientiane Capital	24,845,000,000	6,211,250,000	1,536,837,184	(4,674,412,816)
Savannakhet Province	1,132,000,000	283,000,000	215,813,236	(67,186,764)
Luang Prabang Province	504,000,000	126,000,000	(16,479,004)	(142,479,004)
Vientiane Province	449,000,000	112,250,000	(63,750,627)	(176,000,627)
Bokeo Province	352,000,000	88,000,000	54,147,236	(33,852,764)
Xiengkhouang Province	233,000,000	58,250,000	(466,610,174)	(524,860,174)
Bolikhamxay Province	107,000,000	26,750,000	345,378,479	318,628,479
Sayabuly Province	465,000,000	116,250,000	(456,785,269)	(573,035,269)
Salavan Province	46,500,000	11,625,000	(406,410,180)	(418,035,180)
Khammouan Province	157,500,000	39,375,000	695,741,615	656,366,615
Oudomxay Province	294,000,000	73,500,000	(5,858,893)	(79,358,893)
Sekong Province	221,000,000	55,250,000	(67,422,734)	(122,672,734)
Attapue Province	201,000,000	50,250,000	29,232,756	(21,017,244)
Houaphan Province	202,000,000	50,500,000	(161,520,071)	(212,020,071)
Louang Namtha Province	144,000,000	36,000,000	(49,692,024)	(85,692,024)
Phongsaly Province	728,000,000	182,000,000	(204,290,085)	(386,290,085)
Champasack Province	752,000,000	188,000,000	(2,488,532)	(190,488,532)
Total	24,543,000,000	6,135,750,000	2,451,688,354	(3,684,061,646)
				(15.01)

APPENDIX G STATUS OF MFI REGISTRATION AT 30 JUNE 2009

Asian Development Bank

Lao PDR

TA 4827-LAO Institutional Strengthening of Rural Finance

Contract COCS/70-123

July 2009

APPENDIX G STATUS OF MFI REGISTRATION AT 30 JUNE 2009

No	Name of MFIs	Ownership	Sponsor	Location	Registered Capital (Kip)	License Number and Date
DTMFIs						
1	Lao Postal Savings Institute	Government	Ministry of Commerce	Vientiane	100,000,000	11/BOL 16/11/2000
2	Ekphattana DTMFI	Private	NA	Vientiane	1,080,000,000	102/BFSD 01/02/2006
3	Newton DTMFI	Private	NA	Vientiane	1,000,000,000	393/BFSD 21/09/2007
4	Saynyaisamphanh DTMFI	Private	NA	Savannakhet	1,000,000,000	07/BFSD 18/06/2009
5	Champa Lao DTMFI	Private	NA	Luang Prabang	1,343,320,000	08/BFSD 24/06/2009
NDTMFIs						
1	Development Microfinance Institution Phongsaly	Members	NA (formerly AFD)	Phongsaly	416,375,000	872/PG 14/06/2006
2	Cooperative Credit and Saving Association Hongsa Nguenth	Members	GTZ	Xayyabouly	61,000,000	374/BFSD 28/11/2006
3	Development Fund Association Bokeo	Members	GTZ	Bokeo	1,600,000,000	234/BFSD 07/09/2005
4	Cooperative Credit and Saving Association Khop Xienghon	Members	GTZ	Xayyabouly	550,000,000	365/BFSD 31/10/2008
5	Oudomxay Development NDTMFI	Government	NA (formerly UNCDF)	Oudomxay	955,160,858	02/BFSD 11/12/2008
6	Suaykan pattana NDTMFI	Members	LWU	Huaphan	79,460,000	04/BFSD 21/04/2009
7	Hom NDTMFI	Private	NA	Vientiane	20,000,000	05/BFSD 07/05/2009
Savings and Credit Unions						
1	Rural Development Cooperative Naxaythong	Private	NA	Vientiane	200,000,000	08/BOL 19/07/2001
2	Credit Cooperative for the Support of Small Production Units	Private	NA	Vientiane	50,000,000	001/BOL 29/10/1996
3	SCU Vientiane	Members	NA (formerly ADB)	Vientiane Province	35,000,000	30/BFSD 09/02/2004

No	Name of MFIs	Ownership	Sponsor	Location	Registered Capital (Kip)	License Number and Date
4	SCU Seno	Members	SNV (formerly ADB)	Savannakhet	41,400,000	443/BFSD 15/12/2008
5	SCU Laung Phrabang	Members	SNV (formerly ADB)	Luang Phrabang	44,690,500	029/BFSD 09/02/2004
6	SCU Thakhek	Members	SNV	Khammouane	104,000,000	342/BFSD 24/10/2008
7	SCU Houamchayphattana	Members	SNV	Savannakhet	147,400,000	334/BFSD 20/10/2008
8	SCU Paksong	Members	SNV	Savannakhet	299,800,000	341/BFSD 24/10/2008
9	SCU Huasae Chaleam	Members	NA	Champasack	271,000,000	03/BFSD 29/12/2008
10	SCU Thoulakhom	Members	NA	Vientiane Province	495,062,028	83/BFSD 05/02/2009
11	SCU Mittaphap	Members	NA	Vientiane	219,188,000	06/BFSD 27/05/2009
Funds						
1	Funds Cooperative	Private	NA	Vientiane	5,000,000,000	022/BFSD 03/02/2004
2	Pakthone 4 Zone Development Fund	Government	BOL	Bolikhamsay	22,730,000	036/BFSD 01/02/2005
Staff Savings						
1	Bank of Lao Saving	Members	BOL	Vientiane		47/BOL 05/04/1995
2	ETL Saving	Members	ETL	Vientiane	314,865,000	242/BFSD 05/09/2005