



Livelihoods and Food Security Fund



CfP/LIFT/2018/3/Financial Inclusion

Questions arising from LIFT’s Call for Proposals: Expansion of financial services to conflict-affected areas and inclusion of people displaced by conflict, people with disabilities, and migrant women in peri-urban areas.

The deadline for written questions was 16 November, 2018. Answers have been compiled and released on 20 November, 2018.

| | |
|---|---|
| 1 | <p>Q1: Section 1 (Background) of the call for proposals notes that “LIFT is active in the four main agro-ecological zones of Myanmar: the Ayeyarwady Delta, Rakhine State, the central Dry Zone..., and the Upland areas (including Chin, Kachin, Kayah, Kayin, and Shan States and Tanintharyi Region).” Section 3 (Objective of the call for proposals) states that LIFT is seeking proposals for “...specifically-targeted beneficiaries and geographical areas” and emphasizes ethnic/border states as a focus. Will LIFT consider proposals for work in the Tanintharyi Region under this call for proposals?</p> |
| | <p>A1: Yes, LIFT will consider proposals for work in the Tanintharyi Region under this call for proposals.</p> |
| 2 | <p>Q2: Section 4 (Programme investments) outlines the three investment areas under this call for proposals, all of which focus on microfinance institutions (MFIs). Under this call for proposals, will LIFT consider the expansion of inclusive financial services that may be alternatives to MFIs, and/or projects that work to prepare underserved communities to improve household financial management as a whole, including their ability to take and manage debt from MFIs?</p> |
| 3 | <p>Q3: Could you please provide me with a precision on this call : does it concentrate on conflicted areas only OR can we propose a social microfinance project in another zone as long at it would serve migrant women or disabled populations?</p> |
| 4 | <p>Q4: We have an ongoing project in Mandalay Division and would like to deepen this project by expanding the target beneficiaries as indicated under 3.1 of the CfP. Our question - Is it a</p> |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|---|--|
| | <p>requirement in the proposal to expand geographically to reach the unserved and underserved areas as indicated under section 4.2 or is it sufficient to focus on the 2 districts in Mandalay?</p> <p>A4: See A3 above</p> |
| 5 | <p>Q5: Would LIFT consider interventions that give initial seed grants, instead of loans, to the most vulnerable persons, in order to give them access to capital and provide necessary financial training that might enable them to receive loans in the future? There are concerns that giving loans to the most vulnerable households might place them in risk, debt, and do more harm.</p> <p>A5: LIFT will not fund seed grants in this call for proposals</p> |
| 6 | <p>Q6: Would partnerships need to be set and detailed specifically in the proposal, or could the proposal suggest partnering with LIFT funded MFIs in the target area, once those MFIs are selected by LIFT?</p> <p>A6: Partnerships with MFIs should be included in proposals.</p> |
| 7 | <p>Q7: Our organisation is in the process of building a member-based MFI but we are looking for funding to build the upper level of the structure. Thus, I would like to check with you first our eligibility for this call. The microfinance services are already running at cluster level, but the MFI, gathering them all, is still under the institutionalization process. So, is it possible to apply to the call to support a MFI which is non-institutionalized yet?</p> <p>Also it is said that the call focuses on expansion of financial services to conflict-affected areas and inclusion of people displaced by conflict, people with disabilities, and migrant women in peri-urban areas. We work in the Ayeyarwady Delta – it is not a conflict-affected area, but a study recently released showed that Shan and Ayeyarwady have the largest populations of vulnerable persons, in function of both their size and relative vulnerability and that rural HHs are twice likely to be indebted as urban HHs. It is also a region heavily affected by migration, even though it is as a departure place and not for settlement. We believe that the development of small businesses, thanks to the investment allowed by the microfinance services, can give opportunities to vulnerable people in rural areas to improve their livelihood and limit the risks linked to unprepared migration. In addition, 62% of the clients of the MFI (especially for Small Producers Credit Service) are women which would also answer to the target beneficiaries of the call. In this situation, are we eligible to this call or not?</p> <p>A7: Yes, your organization can propose, but note that the Delta is not a priority geographical area. See A3 above.</p> |
| 8 | <p>Q8: Are community-based financial institutions providing basic financial services (inc. credit), particularly to vulnerable groups unable to access such services through other sources, acceptable and eligible under this call for proposals?</p> <p>A8: LIFT is unclear on what “community-based financial institutions” are. LIFT is open to working</p> |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|---|---|
| | with any qualified organisations who can provide financial services, including legally mobilising savings. |
| 9 | <p>Q9: Our organisation is a relatively new microfinance institution which has started operations in Myanmar in October 2016. During the 2+ years that it has been operating, the institution has expanded quite rapidly, currently operating a total of 12 branches in Yangon, Mon State, Kayin State, Sagaing State, Magway State and Naypyitaw. In those 2+ years we have disbursed 168 thousand loans for a total of MMK 56.5 billion and has currently 76,000 loans outstanding totaling MMK 23.3 billion. We target poor entrepreneurs (average loan amount for all products = MMK 340,000) and particularly women (86% of the clients are women). In the coming fiscal year we plan to expand to Shan State, Rakhine State and Tanintharyi Division. So we will be operating in 3 of the mentioned priority geographical areas and it will be serving 2 of the targeted beneficiaries (poor entrepreneurs and women) on a very large scale. Furthermore, we very much believe in providing loans to vulnerable beneficiaries, but the MFI is also aware that Microcredits are not a miracle solution for all. Loans should only be provided to borrowers that have the capacity to use them productively and repay them otherwise the loan will cause harm instead of helping. This makes it difficult to reach a high percentage of some of the targeted beneficiaries. While they would be very welcome, they might not have the capacity to repay the loans and should in those cases be helped in a different way (for example with grants or through NGO projects). The same applies to geographic areas: We will gradually expand to all area's which are stable and safe enough for small entrepreneurs to be able to conduct their business and be able to repay their loan. If an area is dangerous, we will not be able to offer services there: on the one hand because this would affect the business stability of the borrowers and thus their capacity to repay, but more importantly the MFI has a responsibility to keep its staff safe. Like most MFI's: Our main challenge is funding. We are very interested in your Capital Market Program, which we hope to qualify for so that we would be able to borrow funds from abroad at a reasonable cost and use these loans to fund our disbursements in Kayin, Shan and Rakhine. My questions/requests for clarification are the following:</p> <p>1 - Are MFIs like us that are only partially able to satisfy the priority geographical areas and targeted beneficiaries eligible for support through your Capital Market program?</p> <p>2 - Since the component we are interested in, involves borrowing from one or more international lenders, (i) what is required from these lenders? Do they have to submit their own proposal? Or do we have to submit a joined proposal? Or is it just the MFI that needs to submit a proposal, and if so, (ii) which elements from the lender does the MFI need to include in its proposal. Also, (iii) is it allowed to including multiple lenders (in the case one lender is not able/willing to fully fund the project)? (iv) Are there any eligibility criteria for lenders?</p> <p>A9: To answer your first question, please see our answer to Q3 above. In answer to your second</p> |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|----|--|
| | <p>question: LIFT cannot speak on behalf of the lenders who must do their own due diligence on MFIs they are considering investing in. A list of investors with an ISDA with The Currency Exchange (TCX) can be provided on request. MFIs are required to submit proposals to access debt financing from investors. (ii) LIFT is unclear about what is meant by “which elements from the lender”, but there is no requirement for MFIs submitting proposals to consider the lenders. (iii) An MFI’s proposal does not need to include the lenders. (iv) Lenders must have an ISDA with either TCX or MFX Currency Exchange Solutions (MFX). Proposals from MFIs accepted in this call will be submitted to the lenders successful under the Capital Markets Program.</p> |
| 10 | <p>Q10: on page 3 of the CfP: Clarify if LIFT will be providing debt financing for this proposal or will the financing be based on the solvency ratio of the MFI and the amount that can be leveraged from their equity?</p> <p>A10: LIFT is not providing debt financing. International investors will provide the financing. LIFT is covering the swap costs on loans from investors to MFIs. The regulatory normative to be concerned about is the debt to equity ratio, not the solvency ratio.</p> |
| 11 | <p>Q11: on page 5 of the CfP 4.1: Will the applying MFI have to procure their own investor or lender to be included in the proposal? Or will LIFT procure investor loans upon approval?</p> <p>A11: No, the MFI does not procure investors. The MFI must propose and substantiate the loan capital requested. Approved proposals for debt financing will be submitted to TCX who will manage matching approved proposals to supply.</p> |
| 12 | <p>Q12: on page 6 of the CfP: Pro Forma Financial Statements - is there a LIFT template in place to be used for this? Or should the financial statement templates included in the MEAL reporting framework be followed?</p> <p>A12: There is a LIFT template for financial statements included in the financial inclusion MEAL set of documents mentioned on page 6 of the CfP.</p> |
| 13 | <p>Q13: on page 12 of the CfP: What is meant by associated costs - it is clear these are separate from indirect costs, but please provide more clarity.</p> <p>A13: Associated costs are direct costs.</p> |
| 14 | <p>Q14: on page 12 of the CfP: Would the 6% allocated for indirect costs be funded out of the 'MFI equity capital grants' component?</p> <p>A14: No. The indirect costs are up to 6% of the total project budget.</p> |
| 15 | <p>Q15: Are any formal permissions required from regulatory governing bodies (in the specific region) at the time of proposal?</p> <p>A15: No. Any permissions needed would be sought by winning bidders.</p> |
| 16 | <p>Q16: LIFT currently has 3 open CfPs - can a single organization apply for all 3 calls simultaneously?</p> <p>A16: Each CfP requires a specific proposal for that CfP. An organisation is welcome to bid for all 3 CfPs and that would require 3 separate proposals.</p> |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|----|--|
| 17 | <p>Q17: Can a single proposal request funds from all 3 funding areas (i.e. capital market, expansion & development, and equity capital grants)?</p> <p>A17: Yes</p> |
| 18 | <p>Q18: Is there a specific funding allocation ratio that should be adhered to between the MFI & development components of this proposal (i.e. requesting 60% funding for the MFI component & 40% funding for the development component)?</p> <p>A18: Consider the “indicative budgets” on page 6 of the CfP as guidance.</p> |
| 19 | <p>Q19: Can LIFT funds be used for all associated development activities other than specific development activities mentioned in the call (e.g. asset transfer, awareness raising for the excluded target group for financial inclusion)? Or External fund has to be raised for some development activities by the applicant?</p> <p>A19: LIFT is not able to fully answer your questions—it depends upon the development activities proposed. For example, marketing (awareness raising for the excluded target group) is a cost that is allowed.</p> |
| 20 | <p>Q20: Is the applicant constrained to one geographic location per proposal, or can multiple geographic locations be targeted in a single proposal?</p> <p>A20: Multiple geographic locations per proposal are allowed.</p> |
| 21 | <p>Q21: We are a chartered accountant firm with varied experience over 30 years in both the national and international arena. The firm is serving in the field of business consulting, assurance, risk consulting, tax, legal, business advisory and corporate financial services. We are providing audit services to The Global Fund, World Bank, Asian Development Bank, DFID, SAARC Development Fund and other UN agencies like UNDP, UNICEF, UNOPS, UNON/UNEP, UNFPA, UNHCR, UN-Women, FAO, corporate clients, government organisations and various INGOs. We intend to bid for the financial services of the project (tender notice: CfP/LIFT/2018/3/FI. We would like to request you to please send the full TOR.</p> <p>A21: All documentation related to this call for proposals is available here and here.</p> |
| 23 | <p>Q23: For geography of branch opening, is all of Shan state acceptable, or are there certain parts of Shan state that are not eligible?</p> <p>A23: All of Shan State is eligible.</p> |
| 24 | <p>Q24: Would health insurance be a product that could fall under coverage for an operational grant to design and develop to reach the vulnerable households outlined in the call?</p> <p>A24: If the financial product/service is for targeted “vulnerable,” research and development costs are eligible. The product/service development alone, without delivery, would not be considered. And LIFT will not invest in an insurance company.</p> |
| 25 | <p>Q25: Can the Operational Grant be used for Institutional Strengthening of internal audit and operations to improve the ability to target the poor/extreme poor or other vulnerable people groups better? (we are thinking for credit scoring or targeting client remapping, etc.)</p> <p>A25: Yes, but in association with an MFI submitting a proposal, not a stand-alone proposal.</p> |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|----|---|
| 26 | Q26: For PPI is a representative sample enough or do all clients for receiving loans need to be surveyed with PPI? A26: A sample size that is sufficient to make inferences that are statistically robust. |
| 27 | Q27: What is the definition of landless rural residents? (renting land? various forms of ownership (no form 7?) Please elaborate. A27: Landless refers to those without land title. |
| 28 | Q28: For trafficking and forced labour prevention, what indicators is LIFT looking for these households? A28: LIFT is using the provision of a business development or education loan where the daughter is working together with the mother as the indicator. |
| 29 | Q29: What is the LIFT definition of disability? A29: LIFT uses the Washington Group set of disability questions which you can find at this link. http://www.washingtongroup-disability.com/washington-group-question-sets/short-set-of-disability-questions/ |
| 30 | Q30: Do all clients have to be in conflict-affected/border regions? What if clients (who are still vulnerable under the LIFT call living below \$2.50 for PPI, women, migrants, landless, etc.) are in other regions? A30: Please see A3 above |
| 31 | Q31: As grant income is taxed at a rate of 25% for MFIs which are registered companies, what does LIFT recommend for proposal budgeting or planning to decrease this burden? Can this tax be included as a budget line that LIFT covers? A31: LIFT investment funds are not taxed. |
| 32 | Q32: Regarding MFI expansion and development—operational subsidy: Can branch setup costs be covered in township where there is no or only one MFI but not part of priority geographic areas (namely, Rakhine State, ethnic and border states and conflict-affected areas of Kachin, Shan, Kayin and Kayah States)? A32: Yes, but see A3 above. |
| 33 | Q33: Can branch setup costs be covered in border townships that are not part of border States? A33: New branches in conflict-affected and border areas are eligible to apply for market development assistance. |
| 34 | Q34: Can operational subsidies be used to expand activities in existing branches located in priority geographic areas? A34: Yes, but see A3 above. |
| 35 | Q35: Can we request debt funding for Capital Market Program funding beyond 2019? A35: The tenor for debt financing is three years. |
| 36 | Q36: Shall debt accessed via Capital Market Program be targeting in line with the priority geographical areas (3.2) AND the targeted beneficiaries (3.1) specified in the Call? In other |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|-----------|--|
| | <p>words, are priority geographical areas and targeted beneficiaries cumulative? Or one of the priority, being geographical or in terms of targeted beneficiaries, is sufficient to access debt funding via Capital Market Program?</p> <p>A36: See A3 above.</p> |
| 37 | <p>Q37: Regarding targeted beneficiaries - Migrants: can we expand activities in townships prone to migration (outside Yangon area) be part of the CfP?</p> <p>A37: The priority for migrants is Yangon.</p> |
| 38 | <p>Q38: People with disability: could you please provide a definition of people with disability?</p> <p>A38: See A29.</p> |
| 39 | <p>Q39: We manage two globally operating microfinance funds. We are in discussions with MFIs in Myanmar for potential funding, whereas the combination of interest rate cap and high MMK hedging costs is the biggest barrier. In section 1 (page 2), your call for proposals refers to LIFT's Financial Inclusion Programme that has provided currency hedging and risk guarantees. However, hedging support instruments are not anymore mentioned in sections 3 and 4 where the actual Programme details are being discussed. Could you kindly clarify whether Component 4.1 "Access to LIFT's MFI Capital Markets Programme" includes a currency hedging component?</p> <p>A39: The Capital market program involves currency hedging. LIFT's investment covers the swap costs for loans made to MFIs through The Currency Exchange (TCX).</p> |
| 40 | <p>Q40: International lenders/investors are eligible to apply directly for support from Component 4.1 – or only local MFIs?</p> <p>A41: Yes, international lenders/investors can apply through TCX. MFIs will submit proposals. Proposals accepted will be provided to TCX.</p> |
| 41 | <p>Q41: Do special administrative regions, not necessarily under conflict, in ethnic states qualify under LIFT priority geographic region definition in CfP Section 3.2?</p> <p>A41: Yes</p> |
| 42 | <p>Q42: Are the Mandalay and Sagaing Regions included in the call for proposal areas?</p> <p>A42: See A3 above.</p> |
| 43 | <p>Q43: Targeted beneficiaries: can we target entrepreneurs only within the targeted beneficiaries indicated in the document?</p> <p>A43: The target beneficiaries are defined on page 4 of the CfP.</p> |
| 44 | <p>Q44: Will we be able to be flexible in terms of methodology when delivering financial services to</p> |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.



Livelihoods and Food Security Fund



| | |
|-----------|--|
| | targeted populations in their best interests and depending on their profiles and needs? In the course of the project, would we be allowed to make the FS offering evolve or to create a new offer that would best suit the targeted beneficiaries needs (average amounts borrowed, type of accounts offered, duration of loans ...)? |
| | A44: Yes to both questions on the design of financial services. |
| 45 | Q45: Can we decide on which distribution channels would be best suited in these areas / for these type of beneficiaries – which might not be traditional branch opening? Are there any restrictions regarding potential partnerships in that respect? |
| | A45: Yes on distribution channels, e.g. digital. No restrictions on partnerships. |
| 46 | Q46: There are 3 “programme investments areas”: does the proposal need to cover all or can be only on some of these areas? |
| | A46: Proposals can cover by activity or activities. |
| 47 | Q47: Amounts of financing: What is the maximum amount per project? Is there a minimum co-contribution to the project’s cost expected from the applicant (and its partners) ? if yes, which %? |
| | A47: No maximum or minimums per proposal. No cost-share is required. Leveraging LIFT investment is a plus in evaluating proposals. |
| 48 | Q48: Page 12: “Indirect costs are allowable up to six per cent of the total direct costs, not including investment capital funded by LIFT.” = what do you exactly include in “indirect costs”? |
| | A48: Indirect costs are incurred costs that could be considered to be (i) overhead costs, (ii) do not require verifiable vouchers, and (iii) are calculated as a percentage against the total of incurred direct costs. Refer to section 3.4 and 3.5 of the Lift Operational Guidelines . |

LIFT
12(0), Pyi Thu Lane,
7 Mile, Mayangone Township
Yangon, Myanmar

Tel: +(95) 1 657 280 ~ 87, 657 703 ~ 04
Fax: +(95) 1 657 279, 657 702
lift@unops.org
www.lift-fund.org



UNOPS is ISO 9001 certified

Funds donated by Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States. From the private sector, the Mitsubishi Corporation is a donor.