

2) OBJECTIVES OF THE ASSIGNMENT

The Bank of Laos recognizes that training and TA is needed to promote an inclusive and sustainable microfinance sector in Lao PDR and has requested UNCDF to support the Financial Institutions Supervision Department (FISD) of BoL and local service providers, including local audit firms. This Terms of Reference (TOR) has been developed in response to an assessment of the required training and TA requirements of the sector institutions for the period 2011-2014 for enhancing the capacity of financial sector professionals and increasing the pool of trained and competent financial sector professionals in Lao-PDR.

The microfinance Financial Service Providers (FSP) in Lao-PDR are comprised of 08 deposit taking MFIs, 13 Savings and Credit Unions and 10 registered non-deposit taking MFIs, all monitored and regulated by BOL. Besides regulated FSPs, approximately 5000 Village Banks (VBs) called Village Savings and Credit Groups and Village Revolving Funds, thousands of savings and credit groups promoted by the Lao Womens Union (LWU) and other projects are providing limited financial services in rural areas. The Agricultural Promotion Bank (APB) and some commercial banks also provide loans to micro-entrepreneurs on a limited scale. However, only a small percentage of total demand for financial services is being met by formal and semi-formal providers.

Enabling systematic linkages between public institutions and FSPs—both non-profit and for-profit requires the establishment of a supportive financial infrastructure, including credit information bureaus, independent audit and ratings services, training facilities, etc.

Various microfinance sector studies have concluded that the microfinance sector in the Lao-PDR is still in its infancy. Studies have stated that the outreach, portfolio quality and sustainability of MFIs in Lao-PDR are far below the average performance in the region. Institutional capacity of FSPs, availability of microfinance professionals including qualified auditors, use of innovative products and delivery mechanisms, appropriate MIS, capacity of regulatory and supervisory authority, capacity of the support service providers such as independent auditors, ratings firms and to some extent training providers are also limited, adversely affecting the ability to promote an inclusive and sustainable microfinance sector in Lao PDR.

The Programme Management Committee (PMC) has requested UNCDF to provide support for accessing training for the sector including the goals and deliverables outlined under this TOR. MAFIPP is seeking a Consultant to provide support services based on a needs assessment conducted by the BOL. The objectives of this assignment are to conduct training in “auditing principles and on-site examination” for FISD staff together with local audit firms as participants. The content of the training shall focus on “on-site examination” including audit standards and principles contained in the CGAP Handbook, “External Audits of Microfinance Institutions” while taking a risk-based approach toward the audit function.

The detailed deliverables/final outputs for this assignment are listed in Section 5 of this TOR.

3) SCOPE OF WORK

The training shall cover the following topics as contained in the CGAP Handbook and include lecture, demonstrations, exercises and case study examples.

1. Audit principles and the difference between internal and external audit functions;
2. Various stakeholder interests in the audit process;
3. Understanding MFI audits with a focus on the unique characteristics of MFI loan portfolios; The “risk based” audit approach, including the relative importance of various areas of risk and risk management; Understanding MFI financial statements, including deposit taking and non-deposit taking MFIs and savings and credit unions;
6. Tools and exercises around the audit process and risk assessment skills;
7. Case studies relating to the audit process and skills building exercises to develop risk analysis skills for auditors and examiners;
8. Risk assessment in a Lao PDR context.

Further to item 8 above, the Consultant will help the participants gain a better understanding of the range of risks encountered by MFIs in Laos and develop methods for FISD supervisory staff to assess, manage and where necessary reduce these risks. The risks addressed in the training include, but are not limited to, Credit, Interest Rate, Liquidity, Operational and Market risk, as well as risks which are unique to the microfinance sector, including among others, Subsidy Dependence risk.

In addition to the points listed above, the Consultant will accompany FISD staff to supervise an on-site audit in Vientiane capital to review the capacity of local FSPs and their interaction with local independent auditors.

KEY DELIVERABLES

- I. Conduct assessment of training results with an exam of Participants’ knowledge at the beginning and at the conclusion of the training, to certify that they are capable to conduct an audit of an MFI.
- II. Provide a certificate to Participants to reflect their successful completion of the training programme. This certification will designate these individuals as qualified auditors to conduct an MFI external audit.
- III. Consolidate all training material into a user manual for FISD staff.
- IV. Make available the resources from the training to the BOL for inclusion in the BOL library; this shall include printed documents and soft copy on CD-ROM.

4) DURATION OF ASSIGNMENT, DUTY STATION AND EXPECTED PLACES OF TRAVEL

1. Timeframe

The consultancy is expected to take place over a period of ten (10) working days in-country and shall be concluded prior to 31 March 2012.

2. Duty Station

The assignment shall be conducted within the city limits of Vientiane, Lao PDR.

5) FINAL PRODUCTS/REPORT

The Consultant will deliver a final report containing the following:

1. A training agenda, curricula and lesson plan for training delivered during the assignment.
2. A package of training materials for the FISD library and database. The package will include the materials delivered during the assignment and materials gathered from other sources.
3. Recommendations on additional training and professional development based upon needs identified during the training and recommend means by which future trainings may be coordinated with the Banking Institute of Lao PDR.

All final products delivered by the Consultant must be provided in both hard and soft copy to the MAFIPP project. Any and all secondary source materials must clearly recognize original authorship and copyright.

6. PROVISION OF MONITORING AND PROGRESS CONTROLS

The Consultant will work under the guidance of the FISD of the Bank of Lao PDR together with the MAFIPP project. Applicants shall submit a brief presentation of key content of their training course content, duration and training timetable.

7. DEGREE OF EXPERTISE AND QUALIFICATIONS

- At least Master's Degree or equivalent in Banking, Finance, Economics or related field;
- At least 5-7 years experience in microfinance, with a concentration on the audit function, preferably from a supervisory perspective;
- Sound knowledge and experience with audit practices in microfinance;
- Good knowledge and sound understanding of the microfinance sector in the region;
- Experience of working with central banks, banking institutions and donors organizations with training needs assessments and providing training and technical assistance;
- Solid experience in developing a curriculum and conducting training in microfinance audit;
- Demonstrated ability to translate theories on microfinance audit into practice;
- Outstanding presentation and training skills;
- Excellent interpersonal communication skills;
- Fluent in English, knowledge of Lao language preferred but not required.

8. REVIEW TIME REQUIRED

The Consultant's performance and outputs will be reviewed and assessed against the agreed final products prior to authorizing payment.

9. CONSULTANT PRESENCE REQUIRED ON DUTY STATION/UNDP PREMISES

NONE PARTIAL INTERMITTENT FULL-TIME

IF FULL TIME – PLEASE ADD BELOW FOR JUSTIFICATION

If the assignment requires full time presence on UNDP premises, a sound justification on why a full time presence is required.

Reviewed by:

Approved by:

Ms. Keasorn MANIVONG
Project Manager & DDG
Financial Institution Supervision Department
Bank of Lao PDR
Date: ____/____/2012

Dr. Akhom Praseuth
Chair of PMC & Director General
Financial Institution Supervision Department
Bank of Lao PDR
Date: ____/____/2012