

Micro-finance project to improve access to funds in rural areas

Poor households and small scale businesses in four target provinces will soon have improved access to financing after a new micro-finance project as officially launched yesterday in Vientiane.

The project's first phase worth 2.8 million euro (more than 33 billion kip), will run from 2009-11 in the four targets provinces of Attapue, Xayabouly, Borkeo and Luang Namtha.

Financing and banking officials from the Bank of the Lao PDR, other organizations and financial supporters of the project met yesterday at the two-day Kickoff Workshop of Microfinance in Rural Areas Project-Access to Finance for the Poor in the Lao PDR in Vientiane to formally launch the project and discuss project activities.

Of the total financial support for the project, 2.5 million euro was granted by the German government and another 300,000 euro by the German development Service (DED), according to project director, Mr. Phouthaxay Sivilay.

The project id aimed at improving access to finance for poor households and small-scale enterprises in rural areas of the target provinces.

The overall project is expected to run until 2017. However, the second and third phrases could be extended depending on the performance of the first phase and bilateral negotiations between the Lao government and donors, according to a press statement from the bank.

Vice Governor of the Bank of the Lao PDR, Mr. Bounsong SOMMALAVONG said increasing access to micro-finance initiatives is a top priority of the government.

"I think that this programme will significantly contribute to the development of the micro-finance sector in our country," Mr. Bounsong said.

The project will also provide technical consultancy of the bank in its mandate of drafting policy, strategies, regulations and management methods for micro-finance in the country. This is aimed at formulating plans to provide favorable conditions for the nation's growing financial services sector.

The project will also enhance the capacity of existing village-level banking institutions; establish new financial associations as well as supporting other financial providers through technical support.

In addition, the project activities will also provide technical training on micro-finance administration to financial institutes, as well as allocating some funding to the institutes, according to Mr. Phouthaxay.

Mr. Phouthaxay said the programme initiatives to introduce straightforward procedures will address the difficulties faced by poor households and small businesses in accessing financing.

“Our country’s financial services network is insufficient, most financial providers are banks, but access to finance through the banking system is subject to many criteria,” he said.

“This has posed many constraints for poor people trying to access funding sources.”

The project is jointly implemented by the Bank of the Lao PDR, German Technical Cooperation (GTZ), DED and the German Financial Cooperation.

The project may also be extended to other provinces if it proves successful.