



Microfinance Working Group for the Lao PDR

# MFWWG Newsletter

1st Issue September 2012



## CONTENT

Editorial	p.2
Financial Education: A powerful tool to help the poor manage their money	p.3
External funding for Lao MFIs: What options are available	p.5
Lao MFIs committed to improve sector transparency	p.8
News from our members	p.10
News from the MFWWG	p.11



*“Establishing a regular savings habit is important”*

It is with great pleasure that we are able to share this 1<sup>st</sup> Issue of the *MFWG Newsletter* with you. The main objective of this *Newsletter* is to reach out to microfinance stakeholders who might not have regular access to sector information. The MFWG sees this as an important contribution and service to our members to improve sector transparency and knowledge management.

This *Newsletter* contains a section on 'International Trends in the Microfinance Industry'. Based on your feedback we chose 'Financial Education' as the hot topic described in this Issue. We also reserve a section of this *Newsletter* to discuss important issues and developments of the Lao Microfinance Sector which features 'MFI Performance Monitoring' this time. Another page is dedicated to our members, which gives you a chance to share news of your organization, etc. with us. We interviewed XMI Managing Director to give us some insights about the MFI's 'Credit with Education' product. Last but not least, the *Newsletter* also contains a page in which the MFWG summarizes main news and latest institutional developments and activities.

Since this is the 1st Issue of the *Newsletter* we would very much appreciate your feedback. Do not hesitate to let us know what you like and do not like about this *Newsletter*. We are always happy to further improve our services to ensure that whatever we do is in line with your expectations and is adding value to the sector!

We would also like to take the opportunity to thank all those who have actively contributed to make this *Newsletter* meaningful for the sector and encourage you to inform us about recent developments in the sector which you would like to share with us.

Don't forget, this *Newsletter* can only be meaningful if all of us are willing to actively contribute to it and to share our expertise with a wider audience!

We look forward to hearing from you,

***Bandith Sisoukda***  
***Chair of MFWG***



**MFWG Board of Directors: From left to right: 1. Mr. Somchit Bounleum (BOD Member); 2. Mr. Bandith Sisoukda (Chair); 3. Mr. Saisamone Kuanmuongchanh (BOD Co-Chair); 4. Mr. Chantha Mingboupouha (Treasurer) and 5. Mr. Somchith Duangmexay (Secretary)**

## Financial Education: A Powerful Tool to Help the Poor Manage their Money

In recent years, there has been a renewed interest in and concern for clients and consumers. The over-indebtedness of a great number of microfinance borrowers in some highly competitive markets has illustrated the need to enable poor people to make informed financial choices. Moreover, the rapidly increasing number of new and more sophisticated financial products and services like micro-insurance or mobile phone banking poses big challenges for many poor consumers.

Therefore, financial education receives much more attention nowadays than a few years ago, and there are a few organizations that specialize in this field.<sup>1</sup>

### Financial Literacy & Financial Education

**Financial literacy** is the ability to make informed financial decisions. This includes understanding financial choices, spending money wisely, plan for the future and save for unexpected emergencies.

**Financial education** is the path to financial literacy. It builds the knowledge, skills and attitudes required for responsible earning, spending, saving, borrowing, and investing and broadens people's understanding for financial principles and options.

It is important to note that financial education is not only about transmitting knowledge. It is about learning new skills, for example how to make a budget, and shifting towards **new behaviors**. Many poor people apply "reactive" strategies when faced with a crisis, like death or illness in their family. They sell a part of their assets (e.g. livestock) or borrow money from a money lender, both high cost strategies. Financial education introduces them to "protection" or "proactive" strategies such as saving, buying insurance or joining a mutual aid group.

Another key element of financial education is building confidence in financial institutions or insurance companies which poor people often don't trust.

Financial education does not only target the "banked", i.e. the customers of financial institutions. It is useful to any poor household that has to manage financial resources, which can also come from remittances or public cash transfer programs.

### Considerable benefits for MFIs

Financial literacy not only helps poor households better manage their scarce resources and be better prepared for external shocks or other crises, it also brings benefits to microfinance institutions (MFIs).

On the one hand, improved ability of customers to assess their repayment capacities, to understand loan contracts and to manage debt can help keep repayment rates up and reduce delinquency. On the other hand, involvement of MFIs in assessing financial education needs of clients can help staff understand financial management strategies of the poor and identify financial service gaps. This allows the MFIs to better tailor existing products to the needs of their clientele and to introduce new products and services for which there is a demand.

Moreover, by supporting financial literacy among potential clients, MFIs can develop their client pool: financial education encourages the unbanked to consider themselves legitimate clients of financial institutions. In conclusion, financially savvy clients can reduce portfolio risks, stimulate competition, and contribute to the growth and development of MFIs.

### Content: budgeting, savings and debt management

To be effective, the content of financial education programs need to be practical and useful to the target audience and must be relevant to the low income households' concrete problems and needs. Indeed, case studies of various MFIs' financial education programs have shown that their clients' financial education needs are constantly changing. So the content and messages of these programs require regular revision and updating.

The most common topics of financial education are budgeting, savings and debt management. Some important elements of these themes are:

- **Budgeting:** Defining household financial needs; tracking income and expenses; learning about the categories of a budget and developing a concrete budget.
- **Savings:** Defining savings; describing and setting savings goals; knowing savings methods and products; developing a savings plan for the family.

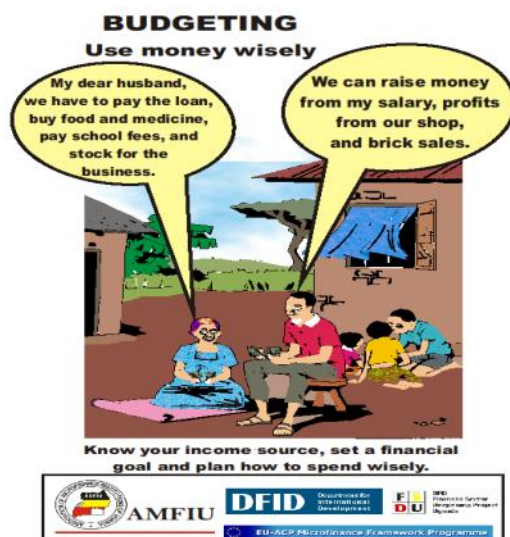
<sup>1</sup> e.g. Microfinance Opportunities (MFO) in Washington D.C. (<http://microfinanceopportunities.org/>), Freedom from Hunger (<http://www.freedomfromhunger.org/programs/finance.php>) or the Child Social and Financial Education NGO Aflatoun (<http://www.aflatoun.org/>)



- **Debt management:** Defining a loan; identifying types of loans and their cost; analyzing the capacity to take loans; understanding the danger of non-payment and dealing with over-indebtedness.

Apart from these basic topics and depending on the type of audience, other more specific themes can be included in a training, such as financial negotiations, use of banks, remittances, youth financial education, risk management and insurance, housing, or consumer protection.

One important aspect is that participants in financial education can immediately and directly apply and practice what they have learnt in their daily life. This makes it more likely that they will retain the newly acquired skills.



A poster produced by the Ugandan MFI Network AMFIU

### ***Delivery is as important as content***

The ways and means messages are delivered to the target groups are as important as the content itself. And it does not only count **how** the contents are transmitted but also **when** and **where** (preferably close to the homes of people and at a time when people are not busy planting or harvesting).

In financial education there are basically three delivery mechanisms: face-to-face training, mass media, and tools. **Face-to-face**, group-based training is the most effective way to convey more in-depth content and to promote behavior change in the target group. However, this method proves to be expensive if the objective is to go to scale.

If it is about raising general awareness of financial literacy or disseminating simpler messages, **mass media** (radio programs, TV spots, print messages) can be an efficient channel. However, while mass media have the potential to reach large audiences, their impact on long-term financial behavior change is largely unproven.

And finally, **tools**, such as brochures, posters, training videos/DVDs or games can potentially reach large numbers of people while reducing per person cost of delivering financial education.

One of the great challenges of financial education is to tailor content and delivery mechanisms to varying levels of literacy among the target groups.

### **Promoting Financial Literacy in Laos**

In early 2012, the German Cooperative and Raiffeisen Confederation (DGRV) organized a financial literacy training course for villagers in Champhone district, Savannaketh Province, where DGRV supports 42 Village Banks through a "Village Bank Service Center". The content and material of the training was jointly developed by DGRV and LIEDC (Lao-India Entrepreneurship Development Center). The campaign consisted of a one-day training event in each village, using methods like presentations, visual tools, exercises in groups, and role play. For more information contact: [yon.Walther-DGRV.Laos@gmx.net](mailto:yon.Walther-DGRV.Laos@gmx.net)

Since 2010, Ekphathana Microfinance Institution (EMI) held a training of teachers on financial literacy using the *Aflatoun* methodology. *Aflatoun* is an NGO specializing in child social and financial education that seeks to empower children to become change makers to help them improve both their own lives and the lives of others<sup>2</sup>. *Aflatoun* gives children the opportunity to learn how to plan and budget and how to save and spend responsibly. The training was co-organized by the Ministry of Education. Subsequently, 144 trained teachers delivered the *Aflatoun* training course to more than 3,474 students in a school in Vientiane. So far more than 500 students opened savings accounts with EMI and EMI also translated the 8 *Aflatoun* workbooks from English into Lao language. For more information contact: [chantha.bp@mfcclao.com](mailto:chantha.bp@mfcclao.com)

<sup>2</sup> For more information see: [www.aflatoun.org](http://www.aflatoun.org)

## External Funding for Lao MFIs: What Options Are Available?

Although still nascent, the Lao microfinance sector has developed quite rapidly over the last 5 years. By August 2012, 41 organizations have been licensed under new regulations issued by the Bank of the Lao PDR (BOL) in 2008, either as Savings and Credit Unions (SCUs = 16), Deposit Taking Microfinance Institutions (DTMFIs = 9) or Non-Deposit Taking Microfinance Institutions (NDTMFIs = 15). DTMFIs and SCUs have tried to boost savings mobilization in order to be able to cope with an ever increasing demand for loans, however, in many cases savings are still a limiting factor to substantially expanding credit activities.

### Main potential funding sources

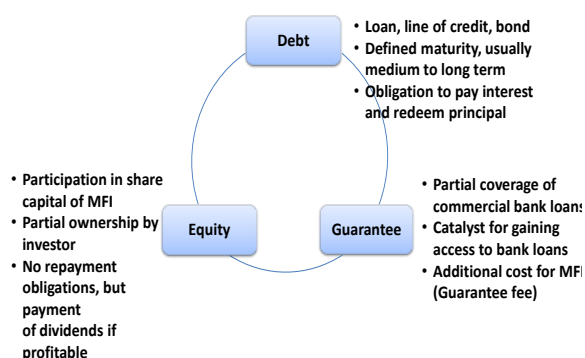
In this context, the question arises whether there are any additional – domestic or foreign - refinancing sources that are accessible and affordable to MFIs in Laos. There are basically four types of refinancing sources available to MFIs:

- **Local savings:** These are constituted by deposits made or shares purchased by members / clients of SCUs or DTMFIs. Savings represent by far the main refinancing sources for Lao MFIs. In general, they are also the cheapest and most reliable source of funding.
- **Public investors: Development Finance Institutions / Bilateral Development Agencies:** These typically include the private-sector arms of International Financial Institutions (IFIs) or Bilateral Agencies, for example the World Bank's IFC (International Finance Corporation) or the German Government's KfW (Kreditanstalt für Wiederaufbau). These institutions provide loans, equity, and guarantees. Loans are usually provided at market rates.
- **Social Investors / Microfinance Investment Vehicles (MIV):** There is a large array of NGOs, foundations, private investment funds, and increasingly also commercial banks that provide funding to MFIs, both debt and equity. The eligibility criteria and loan conditions vary widely according to the nature of the source which can be more socially or rather commercially oriented.
- **Local commercial banks:** Local commercial banks, be they foreign or locally owned, can be a potential refinancing source for MFIs. They can provide loans in local currency and thus help MFIs to reduce exposure to foreign exchange risk.

There are basically three main types of refinancing instruments available to MFIs: debt, equity &

guarantees. The Figure below describes the chief characteristics of these instruments.

### Refinancing Instruments



### Social investors, a promising future refinancing source for Lao PDR MFIs?

Various social investors and private investment funds are already present in the region and have invested in the microfinance sector, for example in Cambodia or the Philippines. As far as Laos is concerned, there haven't been many investments by this type of institutions as yet (with the exception of only Triodos and ResponsAbility) since the sector is still young in comparison. However, a few additional social investors (Oikokredit, ResponsAbility, Online Fundraising Platforms such as KIVA & Good Return) have signaled their interest to engage themselves in Laos (debt only).

A survey conducted by MFWG<sup>3</sup> has also shown that there are a number of constraints that pose a challenge to MFIs if they want to tap into this refinancing source:

- Investors mainly provide debt rather than equity.
- Many investors do not provide debt in local currency, since there are no hedging mechanisms available in order to cover the exchange rate risk.
- Social investors apply high standards in terms of risk rating.
- Language barriers exist, since negotiations, correspondence, reporting etc. has to be in English.

The MFWG survey<sup>4</sup> included 9 social investors. Based on this sample, the criteria applied by the investors in order to determine eligibility of an MFI

<sup>3</sup> See [MFWG Meeting Presentation \(www.mfwglaopdr.org/media/eng/RefinancingoptionsforMFIsrevised2704final.pdf\)](http://www.mfwglaopdr.org/media/eng/RefinancingoptionsforMFIsrevised2704final.pdf) Matrix „Social investors: Overview of access conditions / eligibility criteria“ available on the MFWG website

<sup>4</sup> See Matrix „Social investors: Overview of access conditions / eligibility criteria“ ([www.mfwglaopdr.org/media/eng/Socialinvestoroverviewaccesscriteriairevised.pdf](http://www.mfwglaopdr.org/media/eng/Socialinvestoroverviewaccesscriteriairevised.pdf))

for a loan or an equity investment can be summarized as follows:

- Organizations must be licensed or registered
- At least 2 to 3 years of operation
- Ability to produce good quality financial reports
- Annually audited financial statements
- Operational self-sustainability (OSS) ratio of at least 100% (or to reach this in the near future)
- PAR30+ of not more than 5%

These criteria reflect the worldwide industry standards and have already been met by some Lao MFIs.

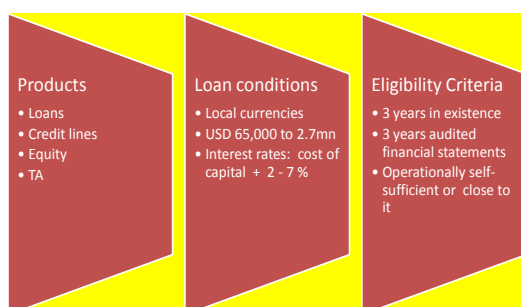
### ***What can be expected from commercial banks?***

Although (foreign) social investors / MIVs, at least those with a highly social orientation, are likely to be more easily accessible and more attractive refinancing sources than local commercial banks, it is worth looking at the possibility of accessing local commercial funding. The advantage of this source is that loans would typically be denominated in local currency and that MFIs would be able to diversify their financing structure. Therefore, the MFWG Secretariat has approached a number of commercial banks based in Laos and has been able to conduct interviews with five of them<sup>5</sup>

### **Little bank experience with the Microfinance sector**

There is almost no experience in the formal banking sector with lending to MFIs. Only two banks indicated that they had once in the past financed a loan to an MFI. Not surprisingly, none of the consulted banks has a specific policy or guidelines for MFI funding, let alone specific risk rating tools for this type of clients.

#### **Oikokredit**



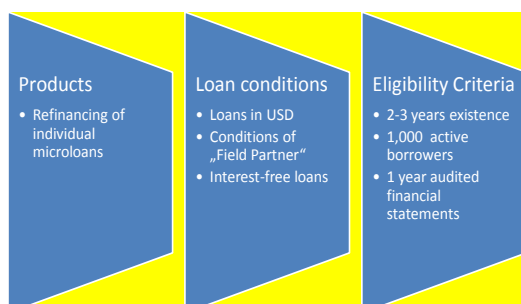
Some investors go beyond these general performance criteria and require for instance minimum total assets (1 million US\$, ResponsAbility), an external rating (BlueOrchard), a minimum number of borrowers (1,000, KIVA) or would like to see a profile of the MFI on Mix Market (KIVA).

#### **ResponsAbility**



#### **KIVA**

(Online fundraising platform)



As far as the banks' willingness to lend to MFIs is concerned, it is rather limited, all in all. The state-owned bank expressed some interest provided there is a grant, a soft loan or a full loan guarantee from a donor. The private banks, on the other hand, indicated that they were in principle willing to lend to MFIs, but that there were no concrete plans to go ahead. Only Banque Franco-Lao pointed out that they plan to extend loans to 2 MFIs in 2012 and that they are already in the process of negotiating the first loan.

### ***What would be the loan conditions?***

Since commercial banks in Laos do not have any specific guidelines or programs for MFI funding

<sup>5</sup> Lao Development Bank (LDB), BCEL, ACLEDA Bank Lao Ltd., Phongsavanh Bank, Banque Franco-Lao (bfl)

at this stage, the loan conditions indicated to MFWG are fundamentally based on terms applied to other types of clients (e.g. SME) in retail banking. The following information should therefore be taken with caution:

- **Collateral:** Banks request “real” guarantees such as real estate / land titles or loan guarantees, typically covering at least 100% of the loan; loan portfolio is usually not accepted as collateral.
- **Interest rates:** These obviously depend on the currency the loan is denominated in as well as on the maturity. Typically, rates would vary between 12 and 17% for loans in KIP and 8 to 12% for credits in foreign currencies.
- **Maturities and loan size:** Loan maturities could range from 1 to 5 years and would be determined on a case-by-case basis. Loan size will depend on the loan portfolio and the capacity to repay. The debt-to-equity ratio will also play a role.
- **Currencies:** Loans would typically be denominated in KIP, US\$ or Thai Bath.

### ***Regulatory issues to keep in mind***

The regulations on microfinance issued by the BOL in 2008 contain a number of provisions that have a bearing on the possibilities for MFIs to access external funds, be they domestic or foreign. Some of these provisions relate to prudential ratios which are intended to prevent over-indebtedness or overexposure to foreign exchange risk; on the other hand, there are provisions aimed at regulating investment by foreign actors. The most important provisions are as follows:

- The total amount of borrowed funds (both domestic and foreign) must not exceed 30% of the outstanding loan portfolio.
- A DTMFI must not have an open foreign currency position (liability) of more than 15% of its total capital for a single foreign currency or not more than 20% for all foreign currencies.
- An MFI is presently not allowed to receive equity from a foreign investor. (This provision will be changed in the new Microfinance Decree which once promulgated will permit minority equity investment in MFIs.)

- Any borrowing from foreign sources is subject to prior approval by BOL.

### ***Conclusions***

Overall it is fair to say that social investors are a more attractive refinancing source than commercial banks since their loan conditions, in particular maturities, interest rates and collateral requirements, would typically be softer. In addition, some social investors offer a technical assistance package that allows MFIs to improve their technical and management capacities as well as their social performance.

On the other hand, (local) commercial banks can potentially be an interesting refinancing source as their loans typically are denominated in local currency so that there is no foreign exchange risk involved. Moreover, a commercial bank loan would permit MFIs to diversify their financing structure. Therefore, MFIs ought to follow up discussions with interested banks (e.g. bfl).

It should be noted, though, that overall demand by Lao MFIs for external refinancing is still quite small (estimated at US\$ 2-3mn a year). Thus, for the time being, the Lao market is not very attractive to many investors. In addition, if the new regulatory provisions on foreign equity investments would only allow for a modest minority stake in an MFI's total equity, this would certainly be an impediment to growth



MFWG 'Re-Financing Workshop' 04 May 2012 at Chanthapanya Hotel, Vientiane



## Lao MFIs Committed to Improve Sector Transparency

In 2012 the MFWG started collecting performance data from its members in order to launch a Performance Monitoring system. 17 member organizations participated in this premiere. They delivered up-to-date information (as per December 2011) about their outreach, productivity, financial performance, and portfolio quality. All this data was then compiled by the MFWG Secretariat and fed into a **Performance Monitoring Matrix**<sup>6</sup>. This matrix provides processed data on each of the reporting organizations as well as averages per “peer group” (NDTMFIs, SCUs, DTMFIs, NSOs) and overall averages.

All this data was then also shared with MIX Market and subsequently uploaded on their website<sup>7</sup>.

In a second step, MFWG designed a **Performance Benchmarking Matrix**<sup>8</sup> which only contains the averages of the Lao MFI peer groups and compares those with peer groups of MFIs from neighboring countries (Vietnam and Cambodia) and the Philippines, as well as a larger group of 37 “East Asia & Pacific Small Scale” MFIs. This table is also presented on the following page.

Performance monitoring and benchmarking are very useful tools in order to improve transparency and gain knowledge about the MFI's performance and its evolution over time. Moreover, the possibility to compare with other peer groups in the same country or abroad provides valuable insights into one's strengths and weaknesses and can thus help to improve performance in the medium term.

### ***Good financial performance, but poor portfolio quality***

As the comparison with MFIs in other Asian countries indicates, the average Lao MFI is still small in size, both in terms of assets or loan portfolio and as far as the number of members / borrowers is concerned.

This is particularly true for SCUs and NDTMFIs which often have only a few hundred active borrowers. They lack a critical mass that would allow them to substantially improve their productivity and efficiency which in turn would permit them to lower interest rates charged to their borrowers. Not surprisingly, their **productivity** as expressed by the number of loans outstanding per credit officer is rather low (99 on average for NDTMFIs and 112 for SCUs). With 192 loans per credit officer on average, the larger DTMFIs score much better in

respect to this indicator. The small size and relative low productivity of Lao MFIs can be explained by the fact that the sector is still young and highly fragmented.

Notwithstanding their small size, Lao MFIs show good results regarding **financial performance** indicators. The average operational self-sufficiency (OSS) ratio of all Lao MFIs included in the MFWG survey lies above the average ratio of the set of 37 small scale MFIs from the East Asia & Pacific region (124% as opposed to 119.4%). Of the 4 foreign peer groups, only Vietnam has a better score with a ratio of 139%. It is likely that the comparatively high interest rates charged to borrowers (typically between 3-5%/month) are one of the main reasons for this good outcome in Laos.

One aspect that raises some concerns is the poor **portfolio quality** of the 17 Lao MFIs reporting to the MFWG Monitoring system. With a (*unweighted*) average of 9%, the PAR30+ of Lao MFIs is clearly above the industry standard of 5% and far away from the scores achieved by the “East Asia & Pacific Small Scale” peer group (3.6%), let alone Cambodian MFIs (1.0%) or Vietnamese MFIs (0.0%). Thus, portfolio quality is certainly one area where Lao MFIs will have to work hard to improve their performance.

It must be noted, however, that there is a small number of lead MFIs in Laos which combine good portfolio quality and profitability with convincing results in terms of outreach. Let's encourage their peers to follow in their footsteps!



A typical MFI Client

<sup>6</sup> For more information see: [www.mfwglaopdr.org/media/eng/FINALConsolidatedPM190612.pdf](http://www.mfwglaopdr.org/media/eng/FINALConsolidatedPM190612.pdf)

<sup>7</sup> [www.mixmarket.org/mfi/country/Laos](http://www.mixmarket.org/mfi/country/Laos)

<sup>8</sup> [www.mfwglaopdr.org/media/eng/FinalMFIBenchmarking190612.pdf](http://www.mfwglaopdr.org/media/eng/FinalMFIBenchmarking190612.pdf)



## MFWG: MFI Performance Benchmarking December 2011

		Lao MFIs (2011) - PEER GROUPS					MFIs other Asian countries (2010) <sup>1</sup>				
Ref	INDICATORS	Average NDTMFIs (6)	Average SCUUs (4)	Average DTMFIs (3)	Average Network Support Organisations (4)	Overall Average Lao MFIs (17)	Vietnam (15 MFIs)	Cambodia (17 MFIs)	Philippines (46 MFIs)	East Asia & Pacific Small Scale (37 MFIs) <sup>2</sup>	Industry Standards
<b>A) Institutional Characteristics</b>											
1	Gross Loan Portfolio (USD)	249,218	92,518	1,320,299	359,365	427,279	1,067,155	22,389,586	7,010,497	864,525	
2	Total Assets (USD)	424,956	168,345	1,568,140	439,573	569,755	973,900	31,678,293	11,578,958	1,123,176	
3	Number of staff	11	6	38	49	24	34	187	222	26	
<b>B) Outreach</b>											
4	Number of active borrowers (female and male)	577	316	2,557	1,747	1,140	5,834	43,565	22,665	3,228	
5	% of female borrowers	73%	68%	54%	83%	69%	100.0%	79.1%	89.5%	96.6%	
6	Average outstanding loan size (USD)	392	425	449	104	342.5	137	582	181	221	
7	Average outstanding loan size / GNI per capita <sup>3</sup>	37.7%	40.9%	43.2%	10.0%	32.9%	12.4%	84.5%	8.8%	11.5%	
<b>C) Financial Performance</b>											
8	Operational Self-Sufficiency (OSS)	104%	124%	171%	119%	124%	138.6%	119.7%	109.8%	119.4%	>/= 120%
9	Return on Assets (RoA)						6.0%	3.0%	2.2%	2.9%	>/= 2%
10	Return on Equity (RoE)						12.1%	15.4%	9.8%	10.0%	>/= 15%
<b>D) Efficiency and Productivity</b>											
11	Number of loans outstanding per credit officer	99	112	192	556	205	410	179	269	288	>/= 150 / 300
12	Operating expense / Loan portfolio						8.9%	16.2%	28.2%	18.9%	</= 20%
<b>E) Portfolio Quality</b>											
14	Portfolio at risk 30+ days	1.9%	9%	9%	21%	9%	0.0%	1.0%	5.5%	3.6%	</= 5%

**Note:**

**The Lao MFI data used for establishing these benchmarks are based on self-reported data from Lao MFIs**

<sup>1</sup> Source: Mix Market, Cross-Market Analysis database; values are indicated as medians. For this category 2011 data was not representative enough yet (as the sample set was very small), therefore 2010 data was used to compare the Lao MFI data with since the sample size was more comparable.

<sup>2</sup> Compound Peer Group "East Asia and Pacific Small Scale", i.e. MFIs from this region with a GLP < 2 Mill US\$

<sup>3</sup> GNI per capita for Laos in 2010 was US\$1,040 (Source: WB, World Development Indicators Database) - GNI data for 2011 not available yet

## Financial Education of Clients is Key

One of the MFWG members, Xainiyom Non-Deposit Taking Microfinance Institution (XMI) based in Oudomxai Province, has introduced a financial education component ("Credit with Education") in its program starting 2010. The Editorial Team of the Newsletter had the chance to conduct an interview on this intervention with XMI's Managing Director, Mr. Khanthaly SEANVILAYVONG.

**Newsletter:** Why did XMI decide to set up a financial education component for its members?

**Mr. Khanthaly:** After having designed our policies, procedures and products, we organized a meeting with our members in which we presented all these topics to them. However, after three months we noted that they didn't remember anything. That's why we decided to develop a training program consisting of 12 modules or sessions that would allow us to permanently train our members and to improve their understanding of 'money matters'. The first step in this process was to organize a Training of Trainers (ToT) course.

**N.:** Who provided this ToT and what were its contents?

**Mr. K.:** The first ToT was given by CARD MRI (a Philippine NGO / MFI). All in all, about 15 credit agents (CA) have been trained to be trainers. The ToT sessions took place on Saturdays, and from Monday to Friday the CA performed their usual duties. The ToT comprised a module on training techniques, a presentation of XMI, its objectives, policies, and benefits for the members; and, of course, it touched upon all the important issues like savings policy, loan policy, financial products, debt management, etc.

**N.:** How and when do the trainers then organize the training sessions? Can all villagers participate in the training or only members of XMI?

**Mr. K.:** The trainings for the members take place at the weekly center meetings, usually at the end of the meeting, after having collected the deposits. The training session lasts about 20 minutes. The CA / trainer would usually go to 3 center meetings a day and provide the same training module at every meeting. As to the participants of the training sessions, we have to limit them to members of XMI. But we sometimes distribute XMI brochures to the village population.

**N.:** How is the training to members delivered? What tools are being used?

**Mr. K.:** We first thought that we could use big (cardboard) posters for the trainings, but they are difficult to transport to the villages. So the CA / trainers basically use flipchart papers they can easily fold and unfold again.

**N.:** What is the response of members to the training provided? Do they find it useful?

**Mr. K.:** After a completed training cycle we usually do an assessment of the training. Sometimes we find that the trainers are not experienced enough, that they are not able to explain things well to the members. But in general members appreciate the training.

**N.:** How many members have received this training so far?

**Mr. K.:** All our new members have to undergo this training. So it is fair to say that, up to now, more than 3,000 members have been trained.

**N.:** Can you estimate the cost of this training program?

**Mr. K.:** Up to now, the cost for XMI has not been high, since the technical assistance, i.e. the ToT, by CARD has been provided to us free of cost. This technical assistance is rather expensive, but luckily we don't have to pay for it. And we think that, in about two years' time, when our senior CA / trainers will be experienced enough, we won't need this support any more.

**N.:** Thank you very much for this interview!



Khanthaly attends an XMI Clients Meeting

***MFWG looking for Candidates for Board of Directors Election at General Assembly***

The MFWG is well on track in obtaining a temporary license as a Microfinance Association with the Ministry of Home Affairs and has now started to prepare for the constitutional General Assembly planned to take place this year. The MFWG encourages interested members to come forward to candidate for the Board of Directors Elections of the General Assembly. For more details contact: [bandith.sisoukda@gmail.com](mailto:bandith.sisoukda@gmail.com)

***MFWG in partnership with MFC/CARD MRI will be providing Internal Control & Audit' Training from 24-28 September 2012***

The network plans to conduct a 5-days "Internal Control & Audit Training" for its members at a cost of US\$125/participant in Vientiane. For further information regarding the training please contact: [mfwglaopdr@gmail.com](mailto:mfwglaopdr@gmail.com).

***MFWG in partnership with SBFIC & UNCDF is conducting a research study on 'Establishment of a Microfinance Management Certificate Course in Lao PDR'***

The MFWG secured funding from SBFIC and UNCDF to engage an international and local training expert to conduct a research study in August on the "Establishment of a Microfinance

Certificate Course'. The final study report and findings will be available in November and shared with our members then.

***MFWG to participate in SEEP Annual Conference 2012 in Washington, USA***

A representative from the MFWG Board has been invited to attend the SEEP Annual Conference which will take place in Washington/USA from 5-9 November 2012. The MFWG joined the international network in 2010 as a member. For more information: [www.seepnetwork.org](http://www.seepnetwork.org).

***MFWG Membership increases to 39 Members***

The MFWG welcomes its new members: SU-FORD Program, Champa Lao DTMFI and Phathukham DTMFI.

***MFWG to increase its staff***

MFWG is presently recruiting a "Training & Capacity Building Expert" to support the implementation of planned capacity building and training activities of the network. For more information regarding this position, please contact: [mfwglaopdr@gmail.com](mailto:mfwglaopdr@gmail.com)



**'Training in Action': Refresher during Market Research and Product Development Training organized by MFWG in Vientiane, 23 - 27 April 2012**



# Microfinance Working Group for Lao PDR

## Useful Microfinance Websites:

- Banking With The Poor Network (BWTP):  
[www.bwtp.org](http://www.bwtp.org)
- Social Performance Task Force (SPTF):  
[www.sptf.info](http://www.sptf.info)
- Consultative Group to Assist the Poor (CGAP):  
[www.cgap.org](http://www.cgap.org)
- Microfinance Information Exchange (MIX):  
[www.mixmarket.org](http://www.mixmarket.org)
- Microfinance Gateway:  
[www.microfinancegateway.org](http://www.microfinancegateway.org)
- SEEP Network:  
[www.seepnetwork.org](http://www.seepnetwork.org)
- World Bank Data - Global Findex:  
<http://datatopics.worldbank.org/financialinclusion/country/lao-pdr>
- Microfinance Transparency:  
[www.mftransparency.org](http://www.mftransparency.org)



## *Published by:*

### **Microfinance Working Group for the Lao PDR**

113/01 (2<sup>nd</sup> floor), Setthathirath Street, Mixai Village  
Chanthabouly District, Vientiane Capital, Lao PDR

Email: [mfwglapdr@gmail.com](mailto:mfwglapdr@gmail.com)

Web: [www.mfwglapdr.org](http://www.mfwglapdr.org)

Tel/Fax: +856 21 262 979

Office Opening Hours: Monday-Friday 8-12am, 1-5pm

## *Sponsored by:*

### **MFWG Members**



**MFWG**

Microfinance Working Group for the Lao PDR