



MFA Newsletter

3rd Issue, January 2014

EDITORIAL

Dear Readers,



We are pleased to present you the 3rd edition of this publication, from now on under the new title “MFA Newsletter”. The Newsletter will be published twice a year and is available as hard copy and on the MFA

website (www.laomfa.org).

As a newly established association, the MFA will provide various services to its members according to their needs, with a special focus on capacity building. We believe this will improve the MFI members’ performance and strengthen the sector as a whole.

On behalf of the MFA, I would like to take this opportunity to thank all those who have actively contributed to make this Newsletter meaningful for the sector and encourage you to share with us any news, interesting experiences or success stories, so that they can be published in the upcoming editions of this publication.

We hope you will find this and future issues of our Newsletter interesting and informative. We very much appreciate your feedbacks and comments.

Sincerely yours,

Vanhsy Chindavong
MFA Chair

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UPCOMING EVENTS

Microinsurance Workshop	21 January 2014
MFA Board Study Visit to Cambodian Microfinance Association	27 – 29 January



Microinsurance Helps Poor Clients Manage Risk

More than two billion mostly poor people worldwide don't have any kind of formal social security protection. Yet poor people are the most vulnerable to risk such as death, illness, accidents and natural disasters like floods or drought. Also, the need to avoid risk often leads poor people to take conservative decisions which may hamper their economic and social development. Microinsurance is one way that helps them manage risk.

Microinsurance is beneficial for the poor

Research has shown that insurance has a positive impact on the lives of the poor and their communities. Health insurance for instance can reduce out-of-pocket expenditure and increase use of health systems. As another example, property insurance allows small entrepreneurs to take more risk and invest more in their businesses. At the same time, a microinsurance product like credit life helps MFIs to protect their assets.

What is Microinsurance?

Microinsurance is insurance that protects low-income households against a whole range of specific risks. It is provided by a variety of (formal or informal) providers, but run in accordance with generally accepted insurance practices. This means that the risk insured is managed based on insurance principles and funded by premiums.

Source: IAIS, 2007

Simplicity is the core issue of microinsurance. Insurance products must be readily understandable for people with low levels of education and the payment of premiums and the processing of claims must be easy to administer. Often microinsurance is linked to another financial product like a loan or savings (bundled product). Moreover, in order for microinsurance to be commercially viable, insurers often use group insurance which is more cost effective and inclusive.

Most popular product: Credit Life

There is a whole array of microinsurance products to protect low-income households against typical risk, ranging from simple credit life to more sophisticated crop insurance products. Here are the most common products:

- **Credit life** typically covers the outstanding loan balance or initial loan amount if the borrower dies, but can also include funeral benefits for the policy holder or his spouse. It is usually a mandatory product; this means that the borrower cannot choose whether or not he or she wants it.
- **Term life insurance** provides dependants of the policy holder with a lump sum and/or maintenance payments for a determined period following the death of the breadwinner.
- **Health and disability insurance** provides coverage against the financial consequences of illness and maternity. It can include direct medical costs for prevention and cure as well as non-medical cost such as transportation. Typically, coverage is subject to a number of conditions and limitations.
- **Agriculture / Crop insurance** protects against harvest loss due to weather risks or pest. This type of insurance has typically been plagued with moral hazard and fraud and has rarely been commercially viable. Recent innovations such as index-based weather insurance have tried to avoid this problem.

A wide array of different providers

Providers of microinsurance can be community based organizations such as cooperatives or mutual health organizations, savings and credit unions, microfinance institutions or increasingly also commercial insurance companies.

Microinsurance requires a distribution system that can both efficiently handle a great number of small financial transactions (collection of premiums), is located close to the end-users and engenders trust. Therefore, in order to reach out to the low-income market, commercial insurers often partner with MFIs or NGOs, utility companies like electricity providers or even mobile phone companies as distribution channels.



MFA: A new Name and some New Faces

Since late October 2013, the former 'Microfinance Working Group' (MFWG) has a new name and a few new faces. Indeed, after almost two years of unrelenting efforts from all involved, the MFWG finally obtained its temporary license as a Microfinance Association (MFA). On 15th November, the MFA held its 1st General Assembly during which a new Board of Directors and Audit Committee were elected and its By-laws reviewed and approved.

A new Board of Directors

The members present reconfirmed three existing Board members and elected two new ones. The three reconfirmed members are:

Mr. Saysamone Kouanmeuangchanh, MFA Vice-Chair



Director of DTMFI Saynhai Samphanh; member of the MFWG Board of Directors from 2010 to 2013. He has more than 10 years experience as a school teacher and manager of a microfinance institution.

Mr. Somchit Bounleume, MFA Board member



Chair of DTMFI Development (DMID); MFWG Board member from 2010 to 2013. Mr. Bounleume has over 20 years experience in the banking sector.

Mr. Chantha Mingboupaha, MFA Board member

Deputy Director of Ekphatthana DTMFI (EMI); member of the MFWG Board of Directors (2010-2013). He has more than 10 years experience in the microfinance sector.



In addition, two new BOD members were elected; these are:

Ms. Vanhsy Chindavong, MFA Chair

Microfinance specialist/consultant and advisor to the Board of Directors of SCU Mithaphap; Master of Science, majoring in Regional and Development Planning. She has been working for many years as a credit officer, national technical consultant and trainer in the formal as well as semi-formal microfinance sector.



Ms. Khanmany Southammavong, MFA Board member



Director of DTMFI Patukham. She has over 10 years experience in the private sector.

...and a new Audit Committee

Moreover, the MFA members elected the following three persons as members of the newly established Audit Committee:

Mr. Phetdara Manyong, Chair

General Director of SCU Fonds Cooperatif. Mr. Phetdara has worked more than 8 years in the microfinance sector.

Mr. Saiya Thammavongseng, Vice Chair

Manager of SCU Houasae Chalern. He has over 7 years experience in microfinance.

Mr. Souphon Lasaphon, Member

Manager of DTMFI Champalao. He has worked more than 5 years in the microfinance sector.



MFA News

MFWDG obtained temporary license as MFA

After nearly 2 years of continued efforts, the MFWDG obtained its temporary license as a Microfinance Association (MFA) from the Ministry of Home Affairs (MoHA) on 25th October 2013. The MFA will now have to submit the report on the 1st General Assembly and the reviewed and approved By-Laws to MoHA. The ministry will then eventually issue the permanent license.

MFA conducted its 1st General Assembly

Following the issuance of the temporary license by MoHA, the MFA held its 1st General Assembly on 15th November 2013 in Vientiane. The gathering was attended by 41 association members, partners, donors and MFA staff. They discussed and approved the By-Laws of the MFA and elected the members of the Board of Directors and Audit Committee.

MFA hopeful to get additional support from UNCDF and GIZ

In order to be able to fully implement the ambitious work plan for 2014, the MFA will need additional financial and human resources. To this end, it has submitted a funding proposal to UNCDF-MAFIPP which will allow it to implement, among other things, a planned Microfinance Certificate Course, and to fund part of its operating expenditures. Also, GIZ has signaled its willingness to provide significant resources, both financial and human, above all in the area of capacity building / training.

MFA Membership increased to 52

Since July 2013, the MFA has had the pleasure to welcome 10 new members, which brings total membership up to 52. The new members are: NDTMFI Alunmai, NDTMFI Mahasap, NDTMFI Next, NDTMFI Oudom Ek, SCU Mithaphap, Lao-India Entrepreneurship Development Center, Enterprise and Development Consultants Co., Ltd, Development Cooperation Section of Australian Embassy, CARD Inc, and Bandit Sisoukda (as individual member, formerly representing GIZ).

SEEP conducted Network Capacity Assessment of the MFWDG / MFA

During the 2nd week of December, a consultant from the SEEP network visited Laos to conduct an external evaluation of the MFA. The assessment aimed to evaluate the capacity and performance of our network. This will be an important input for the designing of the Strategic & Business Plan 2015-2017.

MFA to facilitate a workshop on Microinsurance for MFIs

The MFA, in partnership with Allianz General Laos (AGL), Swiss Development Cooperation (SDC) and the Microfinance Center (MFC), is preparing a workshop on microinsurance. The introductory workshop will be held in Vientiane on 21st January 2014 and facilitated by the microinsurance expert of Allianz. Larger MFIs interested in introducing a simple credit life insurance product will then be invited to participate in a follow-up workshop to take place on 23rd January 2014.

Newton DTMFI presentation on Mobile Banking

On the occasion of the 3rd MFWDG member meeting held on 27th September 2013, Ms. Linda Souvannaheuang, General Manager of Newton DTMFI, presented KipPay, a new mobile payment product. The respective powerpoint presentation can be downloaded here: <http://laomfa.org/images/stories/training/KipPay%20MFWDG%20sept%202013%20Eng.pdf>

ACLEDA Bank presented its operations

At the same member meeting, two representatives of ACLEDA Bank Laos presented the history, operations as well as products & services of this bank in Laos (link: <http://laomfa.org/images/stories/training/Presentation%20of%20ABL's%20Profile%20eng.pdf>)

Training on 'Internal Control / Audit'

From 14th – 18th October 2013, the MFA conducted a training on 'Internal Control and Audit' in partnership with the Microfinance Center (MFC) and supported by ADA. The training material can be downloaded [here](#).



Useful Microfinance Websites:

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



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