



MFA Newsletter

5th Issue, January 2015

EDITORIAL

Dear Readers,

The MFA is pleased to present you the 5th issue of its Newsletter. In this edition we will bring you up-to-date on two important topics the MFA is presently dealing with: the Microfinance Certificate Course for MFI managers and the SPI social audits.

In the first article you will be informed about the purpose, main content, target groups and timing of the planned Microfinance Management Certificate Course (MFMCC). You will also learn where we presently stand in terms of implementation of the course.

The second article highlights the CERISE SPI social audit as a tool to assess MFIs' social performance. It looks at the rationale and scope of this tool and briefly explains how a social audit is conducted.

And like always, on the MFA News page, you will hear about the latest MFA news, institutional developments and activities.

We hope you will find this issue of our Newsletter interesting. You are very welcome to send us your comments.

Sincerely yours,

Pamouane Phetthany
MFA Director

CONTENT

A Certificate Course for MFI Managers p. 2

Social Audits: A Tool to assess Social Performance p. 3

News from our members p. 4

News from the MFA p. 5



Interview with XMI's clients during the Social Audit in December 2014

UPCOMING EVENTS

BoD meeting / Technical member meeting 1st Quarter 2015

2 SPI Social Audits 1st Quarter 2015

ToT of Microfinance Certificate Course 3rd Quarter 2015



A Certificate Course for MFI Managers

The lack of expertise and skills among managers and staff of Lao MFIs is widely regarded as a great if not the most significant impediment to growth and improvement of performance of the microfinance sector in Laos. And so far there is hardly any formal and comprehensive education or training in microfinance in the country. That's why the MFA has decided to launch a Microfinance Certificate Course for MFI managers (MFMCC).

An introduction into microfinance for MFI Managers

The purpose of the MFMCC is to offer new and existing managers of Lao MFIs a short and basic but comprehensive introduction into the microfinance business, focusing on the functions of the management level. At the same time, the MFMCC aims to contribute to increasing the pool of qualified and skillful microfinance trainers. The target group of this course is managers or deputy managers of MFIs. One batch of the course will have up to 20 participants. The Certificate Course encompasses a total of 29 training days spread over 6 months, i.e. 5 training days per month.

A ToT as a prerequisite for the MFMCC

The Certificate Course basically consists of 3 components or phases: i) Design & Development of the course; ii) Training of Trainers course (ToT), and iii) Actual delivery of the course.

The component Design & Development comprises the development of a trainers' manual, compilation of handouts for participants and development of an appropriate training methodology for all modules. It also involves preparing examination tools for each module and translating all materials into Lao.

The ToT is intended for experienced trainers and microfinance practitioners and will be delivered by one international/regional and one local trainer as master trainers. At the end of the ToT, these master trainers will certify successful trainees to become qualified trainers under the MFMCC.

The ToT will be delivered in two parts. The duration of each part will be two weeks and between 15 and 20 trainees are expected to participate.

Eight Training modules

The anticipated content of the Certificate Course is the result of a survey among practitioners, donors and training providers conducted in 2012 by the German Savings Bank Foundation for International Cooperation (SBFIC).

The course comprises the following 8 training modules: 1. Microfinance Fundamentals – Basics of Microfinance; 2. Business and Strategic Planning; 3. Human Resource Management & Leadership Skills; 4. Credit and Delinquency Management; 5. MFI Management & Governance; 6. Financial and Social Performance Management / Accounting / MIS; 7. Product Development; 8. Compliance with MFI regulations and internal control.

Implementation of the MFMCC: Where do we stand?

In July 2014, the MFA launched the tender process for the Design & Development as well as the ToT for the Certificate Course. Four international and national consultant teams / consultancy firms submitted a proposal. Finally, the proposal of the German-based Frankfurt School was selected by the relevant committee.

The contract with Frankfurt School was eventually signed in December 2014 and all the training materials will be developed until the end of March 2015. The ToT will be conducted in the third quarter of 2015. A second ToT is anticipated for late 2015.

Trainers of the MFMCC programme will basically be those who successfully attended the ToT (certified trainers), but, if required, additional part-time trainers could be recruited from existing specialized training providers.

Based on written and oral final exams, successful participants of the Certificate Course will be certified by an expert panel, most likely consisting of representatives of the MFA, participating donors, BOL and independent MF practitioners.



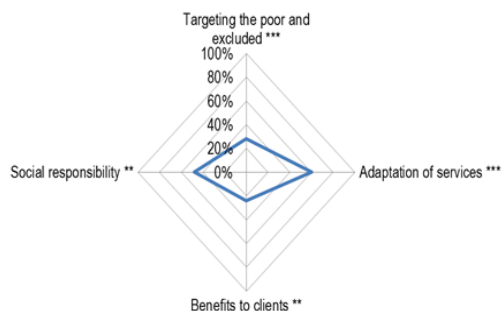
Social Audits: A Tool to Assess Social Performance

What is a social audit?

One of the tools that can be used to assess an MFI's social performance is the **Social Performance Indicators (SPI)** tool developed by CERISE. The SPI tool assesses the social performance of an MFI by evaluating its intents and actions. By analyzing internal systems and organizational processes, the social audit determines whether the institution has the means in place to achieve its social goals.

The results in 4 dimensions

In 2012 the MFA, in cooperation with the Microfinance Center (MFC), conducted two pilot social audits with two major Lao MFIs using the SPI tool. The results of the audit are presented in the form of graphs, one of which can be seen here:



Why social audits benefit the MFIs

A social audit ultimately aims to improve an MFI's social performance management. This not only benefits clients but also the MFIs themselves:

- ✓ It helps to prevent problems (e.g. client over-indebtedness);
- ✓ It is good for the MFI's financial situation (higher portfolio quality, lower costs);
- ✓ Reporting on social performance is often a condition for accessing external funding (e.g. from social investors).

The SPI looks at 4 different areas

Concretely, the social audit analyzes the following four dimensions:

- *Targeting and outreach to the poor.* Does the MFI have a strategy for targeting and

outreach to the poor/excluded and does it work?

- *Products and Services:* Are they adapted to the needs of poor people and of good quality?
- *Benefits to clients:* Do clients reap economic and social benefits and can they participate in the MFI's decision-making?
- *Social Responsibility:* Is the MFI socially responsible towards its staff, clients and the community at large?

In order to assess these dimensions, the social audit analyzes the MFI's mission, strategy and governance, decision-making and communication, client targeting and outreach, as well as products and services.

The main tool used to perform the social audit is a comprehensive questionnaire. CERISE has recently released a new, integrated questionnaire (SPI 4.1.). The SPI 4.1. includes the Client Protection Certification Standards of the Smart Campaign. This new questionnaire has been translated into Lao and will be used for upcoming social audits.

How does a social audit work?

In the two social audits carried out in 2012, MFA/MFC used the method of **Accompanied Self-Assessment**. In this approach, the external "auditors" answer questions that arise as the MFI is filling in the questionnaire. The social audit is usually being conducted according to the following 4 steps:

- 1) *Preparation:* Informing the MFI about the audit, collecting existing social and financial performance data;
- 2) *Implementation:* Direct visit to the MFI and/or remote interviews, filling in questionnaire with MFI management, verification of information, possibly review of preliminary findings;
- 3) *Reporting:* completing SPI questionnaire, drafting summary report of SPI results including peer group analysis, reporting to CERISE;
- 4) *Feedback to Partner MFIs and use of information:* sending report / summary to MFI, conducting feedback session with MFI.



News from our Members

NDTMFI Suaykan Phatthana obtained permanent business certificate

Suaykan Phatthana, a Non Deposit-Taking MFI operating under the Huaphan Provincial Women’s Union, obtained its temporary business license in June 2009. Three months after the MFI had deposited the entire registered capital required by the BOL, i.e. in September 2014, it obtained the permanent certificate on 13 October 2014, Suaykan Phatthana organised a handing-over ceremony at the Provincial Cultural Hall chaired by Mr. Saysamone Kipkaysone, the Deputy Director of the Northern Branch of BOL based in Luang Prabang, and Mrs. Longkham Phonemixay, the president of the Provincial Women’s Union and Chair of the Board of the MFI.



Handing over of the permanent certificate

Suaykan Phatthana had an initial capital of about 42 million Kip (roughly US\$ 5,000) which increased to a total of more than 900 million Kip (US\$ 113,000) in late 2014. The MFI has a total loan portfolio of 620 million Kips (US\$ 77,000). The loan amounts range from 500,000 to 10,000,000 Kip, with an interest rate of 4% per month (declining balance) and a maturity of 1 year.

FC expresses its appreciation for reward from MFA

The SCU Fonds Cooperatif (FC) recently received a reward for its 2nd position in a ranking established by the MFA based on a set of 12 selection criteria. The reward includes a training as well as a study tour component, either for in-country or international trainings and study tours. FC will use the prize in order to participate in the training on “Community Based Micro-

finance for Financial Inclusion” organized by the AIT, Bangkok, Thailand.

“I am very happy that my institution received this reward as a member which has been actively participating in the MFA’s activities such as member meetings, and regularly submitted its reports in a timely manner, among other things. I do hope that in the year 2015 there will be many other member organizations actively contributing to the activities organized by the MFA and can be rewarded as outstanding members and good examples as well”, said Mr. Phethara Manivong, Director of FC.

2 Northern MFIs are taking social responsibilities

In 2014, the Luang Prabang based MFA member Champa Lao Deposit-Taking MFI actively contributed to various social activities and events. Among other things, it sponsored 2 boat racing festivals, provided educational materials to 4 rural schools in Luang Prabang province, sponsored traditional festivals in 6 villages, returned profits to the best clients as a reward, and distributed awards totalling 72 million Kip to active clients.



Champa Lao staff participating in a march organized on the occasion of the campaign against women and child labour

Another MFA member, Oudomxay Development Non Deposit-Taking MFI, organised several lucky-draw events in order to return profits to clients in the villages the MFI serves.



Oudomxai Development MFI sponsoring social events in Oudomxay province in the total amount of 60m Kip.



News from the MFA

Strategic Plan 2015 – 2017 developed

Based on the outcomes of a planning workshop with MFA Board members held on 27th June 2014, the MFA Management team drew up the Strategic Plan 2015 – 2017 of the association. The plan encompasses the vision, mission and strategic focus of the MFA as well as the concrete outcomes the association expects to achieve until 2017. In December, the finalized version of the plan was submitted to members and donors for comments. It was approved by the Board of Directors and members in late December 2014.

Trainings on Factsheet, MFI Accounting, Leadership, Office Management, Internal Control & Audit

Over the past 6 months, the MFA has substantially sped up the pace of training events offered to members. No less than 8 training courses and workshops on different subjects such as accounting, internal control & audit, office management, leadership, etc. have been organized since July of this year. All in all, approximately 153 staff members, managers and Board members from roughly 35 member MFIs attended the trainings. A majority of the trainings were provided by Lao training institutes, while part of the workshops were delivered by a Cambodian training provider.

Participation at the 2014 Asia Microfinance Forum in Shanghai

The MFA Chairperson, Vanhsy Chindavong, and its Director Pamouane Phetthany participated in the 2014 Asia Microfinance Forum which was held from 4th to 8th August in Shanghai, China. They were also joined by two representatives of the Bank of the Lao PDR (BOL), among them Dr. Akhom Praseuth, Director General of the Financial Institution Supervision Department (FISD). The event was organized by the Banking With The Poor Network (BWTP) and the Foundation for Development Cooperation (FDC) and hosted by the China Association of Microfinance (CAM).

2nd Member meeting 2014 highlighted Credit Information Bureau (CIB)

The second technical member meeting of the MFA was held on 2nd October 2014. At this gathering, representatives of the IT Department of BOL informed about the possibility for MFIs to become a member of the CIB. According to BOL, all MFIs that are registered with BOL are eligible to be members. The existing CIB Regulation will be amended in order to accommodate MFIs. The committee responsible for MFI membership has been appointed and the procedures and pilot system for MFIs are under preparation. Once a member, MFIs will be able to search for credit information directly in the system against payment of a fee.

2 new MFA staff members

Since July 2014, two new staff have joined the MFA Management team: *Phayvanh Saleumsouk* has been working for the MFA since July on a consultant contract as Project Officer in charge of knowledge management. Moreover, in early October, *Savanna Phothilath* joined the association as Project Officer for capacity building / training. We wish the two newcomers a hearty welcome.

26 members endorsed Code of Conduct

The Code of Conduct for MFA members, which was approved by the MFA Board in March 2014, has been formally endorsed so far by 26 members. Out of all endorsers, 20 are existing members and 6 new ones. The Code encompasses primarily the principles & standards on client protection, but also includes some principles regarding relations with employees, the MFA and other stakeholders.

2 Social Audits conducted in December

In the second half of December, the MFA carried out 2 additional CERISE SPI social audits with two major Lao MFIs, Xayniyom NDTMFI (XMI) in Oudomxay and Newton DTMFI in Vientiane Capital (please also refer to the article on page 3). The 2 audits were performed by a Philippino expert and two MFA staff members.



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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