



Lao Microfinance Association

Network Capacity Assessment

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Agenda

- Overview of the NCAT Process
- Key member challenges
- Preliminary Findings and Recommendations
- Next Steps
- Discussion and Feedback



NCAT Process Overview

OBJECTIVES

- Opportunity to hear from members and other stakeholders about their vision and hopes for the association
- Identify strengths and areas of improvement for LMFA
- Use information to prioritize association capacity building activities within ADA capacity building project and in general
- Use the information collected as a benchmark to measure the development of the organization over time.



NCAT Process Overview

PROCESS

- Meetings with association members, staff, stakeholders
- Member survey (on-line)
- Review of website and association documents/materials
- Consolidate findings in the framework of the Network Capacity Assessment Tool (NCAT)
 - Governance
 - Operations
 - Financial Viability
 - Human Resources
 - External Relations
 - Service Delivery



Stages of Association Development

Nascent	Emerging 28% (7)	Expanding 48% (12)	Mature 24% (6)
<p>Earliest stage of development and just beginning to develop an institutional structure.</p> <p>Key areas of challenge not yet adequately addressed.</p> <p>Fundamentals for network excellence are in rudimentary form or non-existent</p>	<p>A basic institutional structure is in place.</p> <p>Strategies are being developed to tackle key areas of challenge.</p> <p>Fundamentals for network excellence are beginning to take shape.</p>	<p>A solid institutional structure is in place.</p> <p>Strategies to address areas of challenge are being implemented.</p> <p>Fundamentals for network excellence are functioning.</p> <p>A track record of achievement developed and work recognized.</p>	<p>A vibrant, responsive institutional structure is in place.</p> <p>Key areas of challenge mastered.</p> <p>Fundamentals for network excellence functioning at a high level.</p>



Key Challenges Faced by Members

- HR – current capacity, recruitment, retention
- Compliance – cost (external audits), complex, burdensome
- Access to capital
- Competition – banks, other MFIs



Service Delivery

SUB-AREAS	STANDARDS OF EXCELLENCE
MARKET RESPONSIVENESS	The network is market oriented and responsive to changing conditions.
SERVICE MIX	The network's core services are well designed and functioning optimally.
MEMBER FOCUS	The network is driven by the needs and demands of its members.



Service Delivery

FINDINGS

	What worked well	What more is wanted
Members	<p>High quality, affordable trainings</p> <p>Exchange and networking with other MFIs</p> <p>Learning from BoL</p> <p>Advocacy</p>	<p>Trainings – more practical, different trainers and providers</p> <p>Industry information – products, pricing, location, performance</p> <p>More focused quarterly meetings</p> <p>Facilitate access to capital</p> <p>Assistance with compliance</p> <p>Facilitate/negotiate with service providers</p>
External Stakeholders	<p>One representative of the sector</p> <p>Capacity building provider</p>	<p>Better define role in the sector, especially vis a vis BoL</p> <p>More active in developing member capacity</p>



Service Delivery

RECOMMENDATIONS

Short – Term

Optimize/prioritize use of available donor funding to provide high-value trainings and services to members

- One/two trainings on credit management/risk management and HR management. Incorporate trainers/presentations from high-performing members who can share practical experiences on the topic
- Upcoming quarterly meetings – discuss issues of highest importance to members (HR management, competition, client outreach, products). Potentially invite speakers from abroad to share how others have dealt with these issues
- Exposure visits – internal and abroad

Facilitate a job fair for members

Investigate possibility of negotiating prices and services for members from vendors (accounting software, external audits, etc).

Develop membership benefit package and new member orientation



Service Delivery

RECOMMENDATIONS

Medium – Longer Term

- Maximize implementation of MF Certificate: BoL may require everyone who wants a license to take the training; add on compliance TA, assistance with application process, etc.
- Investor fairs/networking event for members – ask ADA's support to invite socially responsible MF investors to present to members their programs (potential revenue generator)
- Investigate possibility of developing a TA fund managed by the association – assist members with costs of direct TA, external audit, etc.
- Develop 'member-clubs' – such as CEO club, HR club, Accounting and Compliance.
- Continue to develop partnerships with international actors interested in implementing programs in Laos (WE Australia on financial literacy, etc).



Financial Viability

SUB-AREAS	STANDARDS OF EXCELLENCE
FINANCIAL PLANNING	Financial planning is an integral part of short and long-term organizational plans and appropriate financial performance measures are used to set goals and monitor performance.
FINANCIAL PERFORMANCE	Financial performance measures associated with earned income, the development of operating reserves, administrative efficiency, and overall revenue growth are strong and show positive trends.
FINANCIAL ADMINISTRATION	Financial administration processes are transparent and provide the necessary level of control to ensure resources are used efficiently and for their intended purpose.



Financial Viability

FINDINGS

- The association has been successful in tapping resources from the majority of development partners in this area however it has had severe limitations given the lack of formal license and other challenges both in terms of amount available to access and cash-flow.
- Related to the formal license, the association has not been able to charge formal membership fees until now, however some members have been contributing financially.
- Financial administration processes seem to be transparent and provide the necessary level of control to ensure resources are used efficiently and for their intended purpose.



Financial Viability

RECOMMENDATIONS

- Continue to actively diversify sources of funds: membership fees, donors, government. Have a plan to increase membership fees over the next 3 years in line with demonstrated membership benefits
- Adopt a financial sustainability lens to everything the association does
 - educate members that as they run a business themselves, the association also has to be able to cover costs of services provided
- Development of financial performance measures associated with earned income, administrative efficiency, and overall revenue growth
 - Key financial performance indicators
 - Targets – revenue, profit, efficiency
 - On-going monitoring



Financial Performance Ratios

Ratio	Definition	General Target
Core Cost Recovery Association ability to cover direct expenses related to core services from earned income	Earned Income/Core Costs	100%
Earned Income	Earned Income/Total Income	40%
Overhead Ratio Measures efficiency	Total oh costs/Total Operating Expenses	15-20%
Operating Reserves	(Average unrestricted net assets/Core Costs)x 12	12 months



External Relations

SUB-AREAS	STANDARDS OF EXCELLENCE
CONTACTS	The network successfully draws from its close contacts with a diverse range of microfinance industry stakeholders to achieve its organizational objectives.
EXTERNAL COMMUNICATIONS	The network has a clear communications strategy that targets a diverse range of microfinance stakeholders.
CREDIBILITY	The network is recognized as an important and capable representative of the microfinance sector and effectively advocates on behalf of its members.



External Relations

FINDINGS

- The association is recognized as a high potential important and capable representative of the microfinance sector.
- The association has been successful in collaborating with regulators and government on issues important to members. It has good contacts with all stakeholders however there is still a delicate balance vis a vis certain aspects with BoL.
- The information available on the MFA website is very valued by stakeholders.
- Stakeholders mention that the association could be even more active in disseminating information about the industry and raising awareness about microfinance in general.



External Relations **RECOMMENDATIONS**

- Continue to strengthen formal and informal relationships with BoL and other development partners
- Strengthen dissemination and communication activities with all stakeholders
 - More consistent media presence – disseminate success stories from members on a regular basis – such as client stories, technology innovations, etc
 - Add all stakeholders on dissemination list and regularly send information such as the newsletter, important international publications (from MF Gateway), upcoming news and events, etc
- As much as possible participate in regional and international events to connect with peer associations and international MF players and raise awareness and partnerships for MF in Laos.



Governance

SUB-AREAS	STANDARDS OF EXCELLENCE
MEMBERSHIP	Network membership is representative of the market and is defined by common standards of performance and practice.
DEMOCRATIC PARTICIPATION	The network has a participatory decision making process enabled through transparent and consensus oriented systems.
BOARD	The Board of Directors provides effective leadership to the network in fulfilling its mission.



Governance

FINDINGS

- Network membership is increasingly representative of the market but there are more licensed MFIs that are not yet members. Membership criteria are well-defined but a code of conduct has not yet been developed.
- The network has a participatory decision making process enabled through transparent and consensus oriented systems. however given the diversity of types of members the association needs to anticipate potential challenges in the future in meeting member interests.
- The Board of Directors has been providing effective leadership to the network in fulfilling its mission and is composed of recognized leaders in the sector.



Governance

RECOMMENDATIONS

- As the MFA membership has been growing and will continue to grow in the future, it will be important to define a code of conduct for members, to include clear expectations along with measures for non-compliance. This should not duplicate compliance requirements of the BoL but rather measures that help the association meet its vision.
- Be mindful about creating opportunities for dialogue and engagement in decision-making for the smaller members as well as non-MFI members in the future.
- Provide opportunities for the new Board to further their knowledge and understanding about specifics of association governance.



Operations

SUB-AREAS	STANDARDS OF EXCELLENCE
PLANNING	The network utilizes a comprehensive and participatory system of planning to define its priorities and organize activities in the short and long term.
SYSTEMS	Systems are in place to ensure efficient flow of information, compliance, and transparency.
MONITORING AND EVALUATION	The network monitors and evaluates its performance on a regular basis and utilizes information to make improvements and ensure accountability.



Operations

FINDINGS

- The network utilizes a solid and participatory system of planning to define its priorities and organize activities in the short and long term. It has a strong business plan which will be updated soon.
- Systems are in place to ensure efficient flow of information, compliance, and transparency such as the newly established Audit Committee.
- As expected the association does not yet have all operational manuals but plans to do so in the future now that there is a strong team in place.



Operations

RECOMMENDATIONS

- As the association is expected to double its annual budget as well as increase level of activities within the next year, it will be important to continue to invest in clear operational and project management system
- Development of operations manual and HR manual
- Continue to develop realistic project plans based on internal capacity and available funding



Human Resources

SUB-AREAS	STANDARDS OF EXCELLENCE
LEADERSHIP	Network leaders consistently demonstrate success in carrying out the mission of the organization
PERSONNEL MANAGEMENT	Personnel management policies and processes are clearly documented, communicated and adequately meet the needs of the network in its present stage of development
PROFESSIONAL DEVELOPMENT	The network prioritizes professional staff development based on network objectives and individual needs.
ORGANIZATIONAL CULTURE	The network has a dynamic and open organizational culture.



Human Resources

FINDINGS

- Association leaders have demonstrated success in carrying out the mission of the organization and have been influential.
- The association has recruited a strong Executive Director who has established a great reputation among members and external stakeholders. Coupled with the high expertise and commitment of the technical advisor the management team is well placed to support the association expansion. Nevertheless, as the association plans to add important services for members, more experienced staff will need to be recruited.
- Some personnel policies and processes are clearly documented such as recruitment and job descriptions, however as the association establishes further it will be important to develop and document additional policies.



Human Resources

RECOMMENDATIONS

- Build team capacity in areas of business development, industry research and legal aspects. Research opportunity for staff to attend trainings (pro-bono) offered by other providers
- Develop HR policies related to professional development, performance evaluation and compensation packages
- Explore possibility of recruiting an international intern to assist management with translations of reports and documents, and proposal development (in addition to upcoming GIZ resource person)



Next Steps

- Assessment report draft to MFA for feedback – 1st week in Jan
- Once final – use findings to prioritize activities
- Report can also be used for fundraising



QUESTIONS / FEEDBACK





THANK YOU!

