

STRENGTHENING PROFESSIONAL MICROFINANCE INSTITUTION ASSOCIATIONS AND NETWORKS

Workshop report

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1. Introduction

Voluntary associations constituted by microfinance institutions (MFIs) are not a new phenomenon. A growing number of MFIs have felt the need to form organisations to represent their interests in relation to other actors (the state, donors, the general public, etc.). It is with this idea in mind that most associations of MFIs (AMFIs, for short¹) have been created and, as they grow and professionalise, they address new themes and extend their areas of action.

In that context, ADA undertook to organise a meeting of a dozen AMFIs from Africa, Asia and Latin America in Luxembourg on 3-5 July 2007, with a view to sharing their respective experiences and thereby promoting a strengthening process for the AMFIs. This report sums up the experiences presented and the discussions held during that workshop and does not claim to lay down general rules of conduct applicable to all AMFIs.

The goal of this initiative was to strengthen cooperation with and between AMFIs by attempting to develop their plans of action and enhancing the services they offer to their members. Accordingly, emphasis was placed on institutional capacity building, information dissemination and product innovation.

By bringing together a group of very diverse AMFIs, ADA hoped to take advantage of their individual experiences and promote exchanges and mutual learning among AMFIs in their specific fields.

The workshop was structured around *seven main themes*², i.e.:

1. the association as a “gateway” to the microfinance sector;
2. representation and advocacy;
3. information management;
4. product innovation;
5. capacity building for members;
6. administrative and operational management;
7. financing and viability.

In a complement to the theoretical aspects addressed during the workshop, the participants presented their experiences in the areas under focus so that the other AMFIs could benefit from it³. A substantial portion of the theoretical underpinnings of the workshop was drawn from Tenn S., *Building Strong Networks: An Institutional Strengthening Guide for Microfinance Networks*: 1st edition, SEEP Network, June 2006.

This report is organised in keeping with the methodological approach of the workshop: a theoretical introduction to the themes, illustrations with examples from the participants (boxes), challenges identified by the participants and consensual recommendations.

1 AMFI: Association of microfinance institutions. In this paper, the term “AMFI” refers to the national or regional associations of MFIs, regional networks and informal working groups that took part in the workshop organised by ADA.

2 For an overview of the workshop programme, see Appendix 1: Workshop Agenda. Parts three to nine.

3 The presentations were distributed beforehand based on an identification of the strengths of each organization as seen in their action plan.

2. The participants⁴ and their expectations

The workshop was attended by twenty participants representing thirteen organisations from Africa, Latin America and Asia. Based on the experience it has acquired in strengthening the microfinance sector and in information dissemination in particular, ADA participated actively in the workshop as a moderator.

The formal or informal nature of the organisations participating in the workshop varied according to the region and the degree of maturity of the microfinance sector. The organisational typology included national or regional professional associations, informal working groups, regional networks, a ministerial microfinance branch and ADA, which is a microfinance support organisation. The table below presents some key figures of the AMFIs represented:

Table 1: Participants

Number of participants	20
Number of organisations participating	13
Total number of MFIs represented	436
Total number of customers of MFIs represented	13.200.000
Loan portfolio (in € in December 2006)	2.100.000.000
Savings collected (in € in December 2006)	244.000.000

The participants expressed the following expectations from the workshop on strengthening AMFIs:

- In relation to the other AMFIs present:
 - share/demonstrate their experience to the other actors;
 - learn, benefit, be enriched by the experience of the other associations;
 - establish contacts that could lead to collaboration, or even alliances with other AMFIs and
 - exchange experiences in relation to the following themes:
 - management and role of associations;
 - creation and management of programmes within associations;
 - efficiency, effectiveness and viability of associations;
 - growth of associations;
 - services offered to members.

⁴ See Appendix 2: presentation of the participants in the workshop on strengthening MFI Associations.

- In relation to ADA:
 - financial and/or technical support;
 - alliances and partnerships;
 - capacity building and
 - information management (resource centre, databases, documentation centre)

3. Principal themes of the workshop

3.1. The association as a “gateway” to the microfinance sector of a country: country profile and key indicators on AMFI members

The “country profile” can be seen as a “snapshot” of the microfinance sector of a country at a specific time. AMFIs can facilitate access, for various audiences, to key information on the subject of microfinance in a specific region or country. This includes information such as macroeconomic data, the size and coverage of the microfinance sector, the legal and regulatory framework, the organisation of the profession, the national policy/strategy on the sector, the presentation of the major actors (whether or not they are members of the AMFI, government organisations, private organisations, etc.), figures on the sector, etc. A priori, AMFIs are the organisations in the best position to present an overall picture of the microfinance sector in any given country.

Box 1: Country profiles

The country profile of Niger as presented on the www.lamicrofinance.org site contains general data on the country’s demographic, political, economic and social situation, as well as concrete data on the microfinance sector in Niger.

The contents of the profile are as follows:

- macroeconomic data
- size and coverage of the microfinance sector
- legal, regulatory and institutional framework
- organisation of the profession
- national policy/strategy on the sector
- presentation of the principal actors
- figures on the sector

Each of these headings is a link to specific data on each subject [currently available in French only]. For example, the heading “size and coverage of the microfinance sector” provides information about the evolution and current status of the sector in Niger, the characteristics of MFIs in the country, etc.

A country profile may include figures that meet international, national and regional standards (i.e. in terms of currency), and present the indicators that are most representative of the country and the microfinance sector, such as the number of MFIs, portfolio risk, etc.

Providing **key indicators** on AMFI members (individually or globally) helps give a concrete idea of the microfinance sector in the country and enhance the transparency and credibility of the microfinance sector.

Box 2: Key indicators

1. The **key indicators** selected by the Microfinance Department of Senegal and which MFIs are required to report include:

- number of MFIs
- number of points of service
- number of customers
- number of women beneficiaries
- rate of household coverage
- volume of deposits
- credits outstanding
- 90-day risk portfolio
- level of profitability of MFIs
- MFI assets
- percentage of capitalisation of MFIs

2. The **key figures** of MFIs belonging to an association may also be published online, such as, for instance, the ASOMI website (Association of Microfinance Organisations of Salvador, which is a member of REDCAMIF) <http://www.asomi.org.sv/35.0.html>. On its site, ASOMI presents, for each of its associates, their outstanding credits, the number of customers, the percentage of women customers, the percentage of rural clientele, the number of credit agents and the number of branches.

3. AMFIs can consult the following **sources** to identify key indicators:

- Technical guide published by MicroRate “Performance Indicators for Microfinance Institutions” (available in English, Spanish and French) <http://www.microfinancegateway.org/content/article/detail/38642>
- Mix Market website <http://www.mixmarket.org/> (available in English)
- SEEP Guide “Building Strong Networks”, pages 51-56 (available in English) <http://www.microfinancegateway.org/content/article/detail/34095>

Reporting can contribute to transparency, help establish standards (benchmarks) for a region/country and help identify good practices. This potential for comparison can be used to enhance the internal management of MFIs and attract financiers (donors or investors).

Data gathering⁵ to establish a “gateway” to microfinance can be carried out via primary information sources (statistical data from AMFIs, annual reports, data provided directly by AMFI members) or secondary sources (the site of the MFI supervisory body, national studies on microfinance, or specialised websites with data on a country’s microfinance sector, such as Microfinancegateway, Mix Market, etc.).

The **challenges** identified in relation to this data gathering can be resumed as follows:

- **Gathering data** on AMFI members often represents a constraint in terms of deadlines or in terms of reliability of information;
- The **costs** linked to implementing data-gathering tools are sometimes high and AMFIs do not necessarily have the financial and/or human resources required. This constraint is particularly strong in countries where MFIs are scattered around rural areas and do not necessarily have high-performance computer systems;
- MFIs are often **unwilling to make their data public**;
- **Information linked to the potential market and customers** of MFIs often pertains to the informal sector and is therefore difficult to gather.

Amongst the **recommendations** proposed, the most important are:

- **The “gateway” is the first impression** people will have of AMFIs and their members and it is accordingly in the best interest of the AMFIs to position themselves as the principal source of information on microfinance in the country. In this sense, having recent and reliable figures on AMFI members and on the microfinance sector on the national scale enhances AMFI credibility;
- **Motivating member MFIs to share data** on their performance and evolution emphasising the added value they have contributed (transparency and credibility with potential financiers, partners and customers) and ensuring that they limit the amount of time required to provide the data;
- In relation to the preceding recommendation, an excellent service for AMFIs to offer can be a **data-gathering tool** tailored to their members. Two examples of existing tools have been suggested, i.e. the BRS-ADA fact sheet and MIX Market. Using a standardised tool can be more economical, but it is important to ensure that applicable national or regional specificities are taken into account (i.e. certain indicators required by the supervising authorities).

⁵ See also section 3.3 of this report: Information Management (gathering, processing, dissemination)

Box 3: Data gathering tools

BRS-ADA Fact sheet	Mix Market
<p>Characteristics</p> <ul style="list-style-type: none">• Complete picture of the MFI's financial situation• Tool available free of charge on Internet• No need for specialised software (Excel file)• Easy analysis due to graphs• Available in several languages• Requires basic accounting knowledge sheet <p>Direct link to the fact sheet: http://www.microfinance.lu/ada/internal.php?c_n=270</p>	<p>Characteristics</p> <ul style="list-style-type: none">• Overall picture of the sector (by region or country)• Overall picture of the MFI's financial situation• Possible Comparison between MFIs• Available in English only• Time required to enter and process data <p>Direct link to the site: www.mixmarket.org</p>

3.2. Representation and political advocacy

Representation and political advocacy are generally the two main roles justifying the creation of an AMFI. Defending the interests of a group (the AMFI) is generally more effective than defending the interests of individual MFIs.

AMFIs deal with a variety of interlocutors: member MFIs (AMFIs work chiefly in their interest), national authorities, national or international support organisations, national or international investors, MFI customers, etc.

Representation involves, inter alia, attendance on behalf of members at certain events (i.e. conferences and meetings) or welcoming visitors on behalf of members. The simple fact of having an organisation that represents a group lends a more credible image to the member MFIs and the microfinance sector. An AMFI can enhance the credibility of the microfinance sector in a country by positioning itself as a centre of information and expertise on the development of the microfinance sector at the national and international levels.

Box 4: MFI representation

Amongst its **representation** and promotion activities, APIM Mali, the professional association of microfinance institutions of Mali (in French, Association professionnelle des institutions de microfinance du Mali) organises an annual national microfinance week. The goal of this activity is to raise public awareness about microfinance and the services it can offer to the people.

This event provides APIM Mali with an opportunity to position itself as an organisation representing Mali's microfinance institutions, in charge of promoting the sector.

The goal of **political advocacy** is to promote the existence (creation) of a regulatory framework tailored to microfinance. In this case, the actions of AMFIs may be either reactive (for example following the tabling of a bill initiated by the supervising authorities) or proactive (for example when they initiate a specific study on the sector and thereby encourage the supervisory authorities to envisage improving the microfinance regulatory framework).

The degree of influence of an AMFI depends in part on its legal status (informal working group, registered association, etc.), the characteristics of the microfinance sector in its country/region (sector size and scope), the activities it conducts (awareness, information...) and its quality and professionalism.

The activities that may be conducted by AMFIs include, inter alia:

- Awareness activities (i.e. microfinance week in Mali, national conference on microfinance in Burkina Faso);
- Information activities (i.e. information and exchange meetings, publication of national and regional bulletins on microfinance such as those published by REDCAMIF, website);
- Strategic activities (i.e. developing a national microfinance strategy);
- Research activities (i.e. studies on co-financing conducted by APIMEC, Senegal, field visits in neighbouring countries, etc.);
- Political advocacy activities (aimed at the supervisory authorities, at the legislative and regulatory level, through the creation of exchange platforms for practitioners and policy-makers, etc.).

Box 5: Political advocacy

1. The Vietnam MFWG (Vietnam Microfinance Working Group) maintains **permanent contact** with the banking institutions and non-banking credit department of the State Bank of Vietnam and has contributed, through its comments, to the **formulation of a decree** (Number 28) on the microfinance sector.

2. APIMBF (the professional association of microfinance institutions of Burkina Faso; in French: Association professionnelle des institutions de microfinance au Burkina Faso) conducts **advocacy** for the microfinance sector aimed at political decision-makers and was involved, for instance, in the **elaboration of the national strategy on microfinance** and the corresponding plan of action adopted by the Government. APIMBF holds a key position amongst the bodies managing the national microfinance strategy action plan and sits on the coordination committee steering body.

Challenges regarding the role of AMFIs in terms of representation and advocacy chiefly involve:

- An **ill-suited regulatory framework** (or none at all) for microfinance including, for instance, ceilings on interest rates, limitations on gathering of savings, limitations on diversification of microfinance products such as leasing, factoring and insurance. This is often due to a lack of knowledge of the sector on the part of the regulatory authorities;
- The **difficulty of communicating with and convincing** actors that are external to microfinance, but indispensable to the sector's evolution (i.e. journalists, other professional associations, supervisory authorities, etc.);
- When an MFI official also represents an AMFI, he or she may face **conflicts of interest** between the individual interests of the MFI and the collective interests of the members of the AMFI;
- For **informal AMFIs** (i.e. informal working groups), political advocacy can be a difficult task in light of the lack of credibility of informal groups in the eyes of actors from outside the microfinance sector.

In order to enhance their functions of representation and political advocacy, the participants suggested:

- Developing a ***political advocacy strategy*** that makes it possible to adopt common positions through a consultation process with members, maintain regular relations with the authorities, and strengthen the role of their AMFI and its power to influence. At this level, it can be useful to identify a government representative who is convinced of the importance of the microfinance sector and who can facilitate the AMFI's contacts with the authorities and enhance its credibility;
- In order to ***remedy the lack of knowledge about the sector***, training could be offered to the supervisory authorities to better understand the challenges faced by AMFI members;
- Build up a good ***reputation for AMFIs*** both with their members and the outside world in order to position AMFIs as the point of contact for the microfinance sector in their country;
- Strengthen and promote ***transparency of member MFIs*** (for example, initiate MFI self-regulation campaigns, encourage external evaluations or ratings of member MFIs, offer a data gathering tool on member MFI performance, etc.).

3.3. Information management (gathering, processing, dissemination)

Information management is a vital function for AMFIs with a view to:

1. Negotiating and presenting the sector;
2. Conducting analyses to be able to envisage improvements for the sector;
3. Strengthening the skills of AMFI members.

Information management by AMFIs can be a service that is highly appreciated by members because:

- The body of information on the subject of microfinance is enormous and not all of it is relevant to the members,
- Microfinance evolves quickly and is becoming increasingly specialised,
- Many experiences carried out in other countries can be interesting for the members.

Three steps can be distinguished in information management: information gathering, processing (sorting, filtering, analysis) and dissemination.

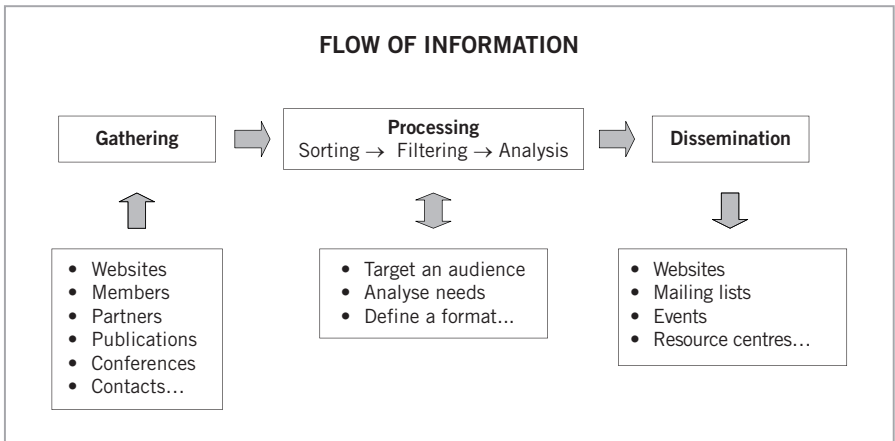
Information gathering can be carried out through reference websites, collaboration with other specialised sites (partnership), by creating a library, by building up a network of information sources and contacts (on specific themes), etc.

As for **information processing**, it consists firstly of sorting and filtering information, and subsequently of analysing it. In order to facilitate information processing, the following questions can be useful:

- What are the members' information needs?
- In relation to the selection, which themes are relevant to the members?
- In relation to organisation, how would the members like to receive information (format, frequency, language...)?
- What are the needs of the other target audiences?

There are several vectors for **information dissemination**: websites, mailing lists, printed documents (studies, reports, bulletins, technical papers, newsletters, etc.), public or targeted events (conferences, forums, seminars), resource centres (specialised libraries), information spaces (helpdesks), etc.

Diagram 1: The flow of information



Websites can fulfil two complementary objectives: presenting an AMFI (services, goals, members, etc.) and acting as a source of information for members and/or others. Furthermore, certain principles should be followed in managing a website:

- Focus on content (practical, concrete, relevant);
- Subcontract technical aspects (technical platform) but set parameters/needs in terms of data entry and functionalities;
- Create links to other sites (and negotiate with partners) rather than duplicating information;
- Try to add value with information that is not available elsewhere;
- Remember that a site that is dynamic and regularly updated will get return visits. (One example is the Laos Microfinance site <http://www.microfinancelaopdr.org/>).

Electronic mailing lists can be an easy and effective means of distribution. They can be used to disseminate information in electronic format (either a document or a piece of news) and stimulate exchanges between members. (For example, the biannual journal “El Mapeo de las Microfinanzas”, which REDCAMIF sends out electronically through mailing lists).

Printed documents are a very useful means of dissemination, but they need to be carefully managed since their production requires a lot of time and substantial material, human and financial resources. (For example, the newsletter produced by CMA in Cambodia).

It is often noted that **public or targeted events** require not only the choice of a subject that interests the target audience, but also a logistical organisation requiring human and financial resources. One condition for the success of an event is a concrete result to be achieved by the end of the conference. (One example is “Foro Latinoamericano de Bancos Comunes”, a discussion forum organised by REDCAMIF).

A **resource centre**, such as a physical or virtual library, can be set up to make key publications on microfinance available to members (and the general public). One example is the library of ADA’s Maison de la microfinance in Luxembourg

The participants identified the following challenges to overcome for effective information management:

- The cost of gathering information⁶ and publications;
- Information technology **skills** (websites, MIS, etc.)
- Strong analytical and writing skills to ensure the quality of the content of the information disseminated.

⁶ See also section 3.1 of this report: The Association as a “Gateway” to the Microfinance Sector of a Country: Country Profile and Key Indicators on AMFI Members.

Amongst the proposed **recommendations**, the most important ones to remember are:

- According to the target audience, communicate appropriate information at the right time and in the right form;
- Develop an **information management strategy**: specialise in certain aspects, develop partnerships and, if possible, assign a specific person to edit all publications;
- Finance publications through sponsoring and advertisements and consider selling publications;
- Clearly identify the information needs of the potential readers of publications; this helps to better target publications and better define their theme;
- Carefully evaluate the cost of producing printed documents and possibly change the method of distribution (i.e. through e-mail mailing lists or by publishing the document on the AMFI site).

3.4. Product innovation

AMFIs can effectively support their members in the development of products such as microinsurance, leasing and migrant money transfers (remittances). AMFIs can promote product innovation by:

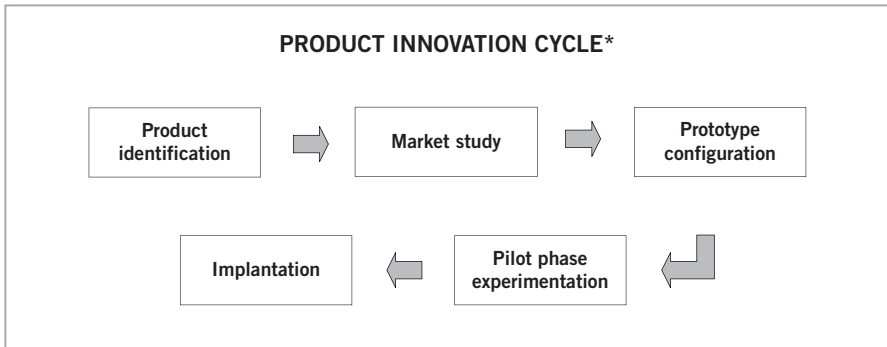
- Carrying out the innovation process on behalf of its members,
- Conducting a market and/or feasibility study,
- Identifying and/or mobilising the necessary skills.

Product innovation can be broken down into five main steps⁷:

- 1) Product identification,
- 2) Market study,
- 3) Configuration of a prototype or design,
- 4) Pilot phase experimentation (in the case of a separate structure, definition of the legal form),
- 5) Implantation (on a large scale).

⁷ These steps were defined based on the presentations by FOLADE, CIF and REDCAMIF (see diagram 2).

Diagram 2: The product innovation cycle



* Source: Adaptation of the product innovation cycles developed by CIF, FOLADE and REDCAMIF.

Box 6: Examples of product innovation

1. MICROPENSION

REDCAMIF has done a **market study** for a **micropension** programme in Central America. The goal of the study was to support the design, pilot phase experimentation and wide-scale implantation of micropensions designed to suit the needs of the target population.

The project is intended to reach at least 500,000 micro-entrepreneurs who could benefit from micropension products (long-term savings, life insurance, etc.) offered through at least 100 MFIs belonging to the REDCAMIF network.

The phases established for this project are:

- Phase I: Feasibility study (2006-2007)
- Phase II: Pilot plan for implementation (experimentation) (2007-2008)
- Phase III: Dissemination and extension of micropensions (beginning in 2008)

2. MICROINSURANCE

CIF has developed a **loan life insurance** programme in partnership with ADA/KBC and DID/DSF. To achieve this, CIF began with an inventory of existing practices and developed a project that included a market study, product configuration, experimentation in one of the partner networks (over six months), followed by evaluation and adjustments and finally the replication of the validated configuration in the other networks with a short experimentation period.

The **challenges** that could arise during new product innovation are:

- difficulties of integration/**cooperation** between member MFIs;
- mobilising **funding**, the partners and skills required for product or project innovation to achieve viability.

The participants made the **following recommendations** to improve product innovation:

- the innovation process should be **client-centred** (response to real demand);
- product innovation requires a well-defined **methodology** and specific skills;
- try to learn lessons from and take advantage of the experiences of other regions;
- for an AMFI to act as a catalyser of product innovation efforts, it is necessary to encourage cooperation between member MFIs and healthy competition⁸.

3.5. Capacity building

Capacity building is one of the main services offered by AMFIs and one of the main expectations of their members.

The principles below can be easily followed to properly design and set in place a capacity-building programme:

- analyse members' **training needs** before establishing a training programme (member demand-based, not donor supply-based);
- while subsidies are often necessary, **partial self-financing** (i.e. through enrolment fees) promotes quality training as well as programme credibility,
- for training programmes that are already organised, content needs to be adapted to the participants and the environment (especially when the trainers are foreign or come from a different sector);
- it is important to **analyse the quality and impact** of training.

⁸ It has often been observed that certain factors can promote healthy competition: developing a code of professional ethics and an arbitration committee, encouraging exchanges between members, promoting democratic governance of the AMFI, establishing clear and equitable principles of information, forming a federation of members rather than subjects/external threats and developing a collective agreement on human resource management.

Box 7: Offering training to member MFIs

According to CMA (Cambodia Microfinance Association), the most important **steps** to follow in **offering training** are as follows:

- Define the subject
- Select a resource person
- Raise funds
- Select participants
- Organise the training (agenda, logistics)
- Evaluation

CMA offers the following types of training to its members:

- Microfinance risk management
- Asset-liability management
- Developing a strategic microfinance plan
- MFI management
- MFI performance analysis

Box 8: Training offered for capacity building

CAPAF promotes a market approach for viable MFI capacity-building services, including training, technical support and information dissemination. (Source: <http://www.capaf.org/>). It offers “**training of trainers**” and keeps a database of all people who have been trained and are able to pass on their knowledge.

It would be interesting for AMFIs to use this type of programme to **reinforce the capacities** of their members. AMFIs could send some of their employees to be trained and spread the knowledge they acquire among their member MFIs.

For example, APIMBF (Burkina Faso) offers CAPAF training such as: MFI financial analysis, basic accounting principles for MFIs, product development, etc. And APIMEC (Senegal) offers CAPAF training on operational risk management and measuring and controlling outstanding amounts (calculating and setting interest rates).

It is important to overcome certain **obstacles** that can make it difficult to set up training:

- the lack of **qualified and experienced trainers** in the microfinance sector;
- the cost of training.

The **recommendations** below could guide AMFIs in offering training services to their members:

- define a **training strategy** based on an analysis of members' needs and form a "**training**" unit within the AMFI;
- define the role of the AMFI in training: either a direct provider, a sub-contractor, a partner or a facilitator (or a combination of these options);
- the quality of trainers (technical skills, concrete experience and pedagogical skills) is crucial (and finding the right trainer is not always easy). **Training of trainers** should receive more encouragement;
- **training leading to a diploma** (university or continuous training) raises growing interest. Partnerships with training institutes (universities, bank training centres, etc.) are a good opportunity for AMFIs;
- regional cooperation in matters of training also offers strong added value.

3.6. Administrative and operational management

In general terms, we can say that the administrative and operational management of AMFIs involves their governance, institutional organisation, strategic plan, action plan, annual budget, reporting, monitoring and evaluation.

Whatever the legal status of the AMFI, it is useful to establish standard forms and documents to ensure smooth running and undertake relevant actions.

It has been noted that a well-designed (and properly followed) strategic plan facilitates organisational management. The plan may reflect the goals of the association (mission, vision, etc.) and subsequently be "translated" into a flexible action plan.

It is important for AMFIs to focus on offering services to members as a priority: an plan of action that meets members' needs as opposed to a business plan that offers nothing to members and runs the risk of causing the AMFI to lose credibility.

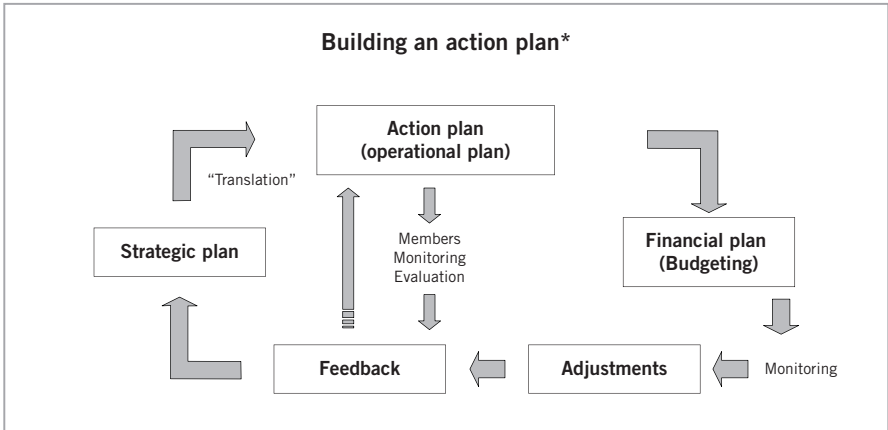
The strategic plan (established in most cases over three or five years) can be more useful if it is simple and regularly subjected to member satisfaction. Members' assessments (requests for new services, comments, suggestions, etc.) help improve and enrich the strategic plan.

Designing an action plan (generally prepared on a yearly basis) does not guarantee its execution. Mid-term monitoring and evaluation needs to be done to facilitate internal

auditing and any amendments that might be necessary during the execution of the plan. The budget allocated to the action plan (the cost of the planned activities) should also be monitored.

The diagram below is a general presentation of the cycle of building, revising and updating of an action plan⁹. Note its dependence on the strategic plan, as well as its direct relationship with the financial plan (budget).

Diagram 3: Building an action plan



*Source: adaptation of the "Tableau de planification stratégique et opérationnelle" (strategic and operational planning table) in the document "Plan de développement et projections financières pour les institutions de microfinance"; CIRAD; 1998.

In order to establish their strategic plans or action plans, AMFIs can draw on the **recommendations** listed below:

- set in place a **member-centred strategy** by ensuring the balance and neutrality of the AMFI;
- encourage an **institutional approach** in the AMFI rather than a project-based focus and follow a logical hierarchy in designing an action plan, as follows:
 - vision and mission of the AMFI;
 - strategic plan and action plan (operational plan to link management with execution);
 - budget (organised based on the action plan and focusing on expenses incurred for services offered to members);
 - reporting, monitoring and evaluation;

⁹ This diagram is an adaptation of the "Tableau de planification stratégique et opérationnelle" by Sheldon T. & Waterfield T., in Plan de développement et projections financières pour les institutions de microfinance, CIRAD, 1998, page 3.

- organise the budget by **positioning the AMFI as a service provider** for its members, its financers and other organisations;
- reinforce the **skills of the executive**.

3.7. Financing and financial viability

AMFIs need to define a financing strategy to ensure their operations. With this aim in mind, the participants identified the following sources of funding:

- advertisements (paid advertising spaces in publications or on websites), annual membership dues and members' registration fees, provision of services either to members (enrolment fees for training, conferences, etc.), or non members;
- international cooperation agencies, foundations, international NGOs and governments (bilateral agreements);
- commissions (for example on intermediation for management of collective purchases);

Experience shows that capital provided by the members seems to be better managed than funding from international cooperation due to the fact that the members are more demanding as to the management of their contributions.

However, currently, most financing comes from external sources (international cooperation agencies, foundations), which is contrary to sustainability and self-financing.

AMFIs' financial viability depends not only on their sources of financing, but also on cost management, monitoring using management indicators (is the cost of an activity justified by its results/impact?), the quality and diversity of services offered to members, etc.

AMFIs may try to adapt members' contributions according to their financial means, however, issues of neutrality and dependency can arise in light of the fact that certain members contribute more than others and may believe that they have "preferential" status.

The following **recommendations** were made to increase financial viability (a major **challenge**):

- establish good **relations with financers** without creating dependency;
- calculate the **cost of the services offered** and develop paid services based on member needs;
- establish strict and regular **budget audits** and use **global and standard reporting** for members as well as for financers;

- clearly circumscribe activities to ensure economic rationality and a service-provision perspective (i.e. training fees);
- try to raise funds by creating other types of activities (i.e. offering services to organisations other than MFIs);
- review the amount of annual dues or registration fees (members may be willing to pay a higher amount if they consider that their AMFI provides quality services).

4. Workshop findings

During the workshop, although they operate in different environments, the participating AMFIs shared a number of common challenges, three of which appear to have considerable impact on their operations:

- competition between members makes cooperation difficult;
- an ill-suited or inexistent regulatory framework;
- a lack of financial and human resources with particular repercussions on the following activities:
 - o information gathering, processing and dissemination;
 - o product innovation;
 - o training.

The workshop revealed the added value of bringing together AMFIs operating in different environments. They were able to benefit and learn from the experiences of the other participants and were enriched by:

- the exchange of experiences;
- the call for professionalisation of AMFIs;
- the identification of a wide range of services that could be offered to member MFIs;
- the coordination of efforts to support AMFIs.

Thus, both intraregional and extraregional collaboration between AMFIs can be facilitated by the simple fact of organising activities that give them an opportunity to exchange.

A second edition of this workshop, aimed at capacity building for professional MFI associations and networks, as well as potential cooperation between organisations supporting AMFIs, is scheduled in 2008.

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APPENDICES

“Strengthening MFI Associations”

Workshop organised by ADA with the support of
Ministry of Foreign Affaires – Luxembourg Directorate of Cooperation
LUXEMBOURG, 3 - 5 JULY 2007

AGENDA

Tuesday 3th July 2007

8h30 Opening

- a. ADA's Institutional *raison d'être* and its relation with the workshop
- b. Background and objective of the workshop

9h00 Part 1: Presentation of the Participants

- a. Presentation of each association's action plan (5 min. per association, 1 slide max.) and expectations of participants regarding this workshop
- b. Questions and answers

10h30 Coffee break

10h45 Part 2: Contents and Programme

- a. The role, the objectives and the services of MFI-A
 - ⇒ The association: a door to the country's microfinance sector
 - ⇒ Information management
 - ⇒ Product innovation
- b. Operation of the associations
 - ⇒ Administration and management of MFI-A
 - ⇒ The financing and the financial viability of a MFI association
- c. Questions and answers

12h30 Lunch

14h00 Part 3: The Association: A Door to the Country's Microfinance Sector

- a. Country profile (macro-economic, politic, social, characteristics, legal framework, etc.)
- b. Key indicators of the MFI association members
- c. Questions and answers

15h00 Part 4: Representing Members and Political Advocacy

- a. Representing Members: which is the role for the MFI-A?
 - ⇒ For whom and with whom is the MFI association working?
 - ⇒ Which are its principal partners and counterparts, and in performing its tasks?
 - ⇒ Reinforcing the credibility of the microfinance sector in the country
- b. Political Advocacy: which is the role for the MFI-A?
- c. Questions and answers

16h00 Coffee break

16h15 Part 5: Information management

- a. Collecting the information
- b. Selecting the information
- c. Disseminating the information
- d. Questions and answers

18h00 End of day

19h00 Diner

Wednesday 4th July 2007

8h30 **Part 6: Product innovation**

- a. Methodology for the conception , test and development of a microfinance product (microinsurance, micropension, housing credit)
- b. Questions and answers

10h30 Coffee break

10h45 **Part 7: Reinforcing Skills and Capacity Building**

12h30 Lunch

14h00 **Part 8: Administration and Management of MFI Associations**

- a. Governance
- b. Strategic plan
- c. Annual action plan and budget
- d. Reporting, follow-up and evaluation
- e. Questions and answers

16h00 Coffee break

16h15 **Part 9: The financing and the financial viability of a MFI association**

- a. The financing
 - ⇒ What are the sources of financing for the MFI-A?
 - ⇒ How to develop self-financing ? (participation by members, charging for services)
 - ⇒ How to present a funding request?
 - ⇒ Mobilising subsidies
- b. The financial viability
 - ⇒ Following-up on the budget
 - ⇒ Improving cost management
 - ⇒ Monitoring through management indicators
- c. Questions and answers

18h00 **End of day**

19h00 **Diner**

Thursday 5th July 2007

8h30 **Part 10: Meeting with Professional Associations in Luxembourg**

- a. Visit to ABBL (Association of Banks and Bankers of Luxembourg)

10h15 Coffee break

10h30 **Part 10: (continue)**

- b. Meeting with the circle ONGD (Luxembourg Association of Development NGOs)

11h30 **Part 11: The role of Luxembourg in microfinance**

- a. Presentation of MAE (Ministry of Foreign Affaires) – Direction of Cooperation of Luxembourg

12h30 “Stand up buffet” and

- b. Meeting with members of Luxembourg Round Table on Microfinance with members of Lux-Développement (Luxembourg Cooperation Agency)

14h00 **Part 12: How to work with ADA?**

- a. ADA's Institutional raison d'être
- b. Mechanisms of support for MFI associations
 - ⇒ Technical support
 - ⇒ Financial support

16h00 Coffee break

16h15 **Workshop Conclusions**

17h15 **End of day**

19h30 **Diner**

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