

Best Practices and Standards

Microfinance best practices, especially in terms of sustainability are still ignored by supply-driven government agencies and mass organisations. As a consequence, there is still a large underserved market for microfinance, due to the limited number and lack of capacity of specialized microfinance providers.

The OCISP project in Oudomxay province included a review of lessons learned from major international development projects with a microfinance or rural finance component. The major findings on best practices were:

- Strong emphasis on staff capacity building and specialization of the microfinance component
- Awareness raising in local communities at the early stages of microfinance project development is important to develop a clear understanding of the process of establishing delivery mechanisms (mostly through CBOs) and financial products conditions.
- Savings-led projects perform better and their funds grow faster, which makes sustainability objectives easier to achieve.
- Sustainability issue needs to be widely discussed and understood among staff and clients, including market interest rates. Best practices projects in Lao PDR have a set a strong policy on interest rate, based on coverage of all expenses and allowance for funds growth. The full costs recovery calculation is carefully explained to clients.
- In community-based schemes, delegation of authority and responsibility from project staff to local managers need to be gradual, leading to complete autonomy.
- Credit products need to match financial needs of clients and the requirements of their economic activity.
- Controls and systems must be in place, including transparent financial and accounting procedures and reports.
- Longer technical support might be required to weak CBOs.

Sources

- OCISP project internal documents.