

# AFOS Supports Self-regulation of the Nigerian Microfinance Sector

- Sponsors an Expert Efficiency Study of NAMB

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*AFOS NIG INGO sponsors the engagement of International Short-term Expert Yaw Gyamfi, CEO of Ghana Microfinance Institutions Network, in a study on the Efficiency of the National Association of Microfinance Banks (NAMB) to drive Self-regulation of the microfinance sector.*

The study which covered 40 consulting days included intensive engagements with NAMB president and the Secretariat staff on organizational issues affecting the association as well as sector related topics, visits to selected Microfinance Banks, visit to the Central Bank of Nigeria, AFOS Foundation and participation in the activities of two Working Groups of the Nigerian MF Platform.

With an objective to enhance effective operation of the Association (NAMB), and growth of the Microfinance sector, the study was conducted in close collaboration with (NAMB), and two working groups of the Nigerian Microfinance Platform (NMP); the Associations and the Efficiency & Social Performance working groups, to assess the effectiveness of NAMB secretariat as well as provide recommendations for success in carrying out a self-regulation mandate.

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## ABOUT THE STUDY

The study included Self-regulation Survey activities in Abuja and a presentation on Self-regulation at the 5<sup>th</sup> annual NMP Symposium

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## An Assessment of the Association

The National Association of Microfinance Banks (NAMB), a self-regulatory body, with membership from all 903 licensed Microfinance Banks in Nigerian is structured to engage in capacity building, protect the clients of microfinance banks by promoting and insisting on adherence to code of ethics aimed at enabling the economically active poor have access to responsible financial services. NAMB also promotes activities of its members for performance optimization through its total philosophy, culture and ethical practices.

The report confirms that presently, the association is positively positioned to serve the interests of Microfinance Banks and larger stakeholders in the microfinance industry. There is a well-equipped secretariat and functional structure with detailed and clear responsibilities, a constitution and other operational documents indicating clear structures, functionalities and responsibilities of each committee, group and member bank, such as the Finance Policy Manual, the Human Resource policy manual, a Code of Conduct designed to essentially guide both the staff of NAMB and of microfinance banks. There is also a training manual and reporting template used in promoting capacity building and transparency in line with industry developments.

These manuals and policies are key for the further development of the Association, the MFBs and the sector.

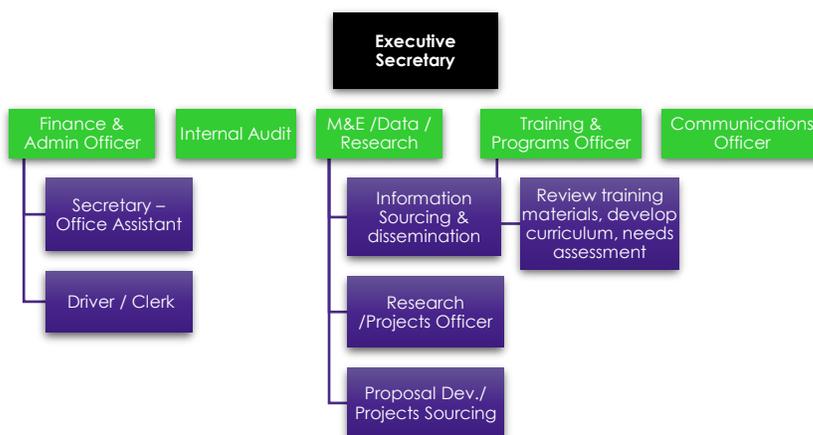


- **Above:** STE Yaw Gyamfi making a presentation on 'Self-regulation' at the 5<sup>th</sup> NMP Symposium in Ibadan.
- **Cover photo:** Panel discussion on the realities, benefits and challenges of self-regulation

## Key Findings

1. Staffing and Adequacy – NAMB's current manpower is not enough, staff has fair understanding of technical issues, lack of business/work plan to measure progress, and absence of an appraisal system.
2. Communications – Lacks a corporate communication strategy/plan.
3. M&E / Data – Inactive monitoring and evaluation of MFBs activities.
4. Capacity Enhancement for staff and MFBs – obvious skill gaps exist, in-house core training is nonexistent, cost of external technical service providers is high.
5. Funding/Financial Sustainability – NAMB depends solely on grants and annual membership dues, has limited income generating activities and no income strategy to remain sustainable.
6. Tools and Templates – unavailability of tools for budgeting, training, M&E, research and workplan.
7. Manuals/Policy Documents – available manuals are one size fit for all stakeholders. Unavailability of policies for advocacy, administrative procurement, anti-money laundering, investment for excess funds etc.

## Proposed Organogram



A cursory observation indicated that the organogram above would be ideal for effective operations within the secretariat.

## Recommendations for NAMB Secretariat

The following recommendations have been provided to drive efficiency and self-regulation targets:

- Conversion to digital web-based platform directory
- Creation of Industry-wide Minimum Performance Standards; to commence performance monitoring and benchmarking of industry report within one year
- Develop tools in readiness for budgeting, task scheduling, reporting templates for training, research, workplans and M&E of association activities.
- Develop a strategic plan as an engagement tool to explore funding and collaboration opportunities within the donor community.
- Develop an optimal service mix based on member and industry needs and delivery capacity.
- Financial planning, cost management, and use of appropriate financial performance measures to set goals and monitor performance.
- Business Plan and annual work plan development

- Recruitment of additional secretariat staff in Internal audit, Training and Corporate communications
- Development of an appraisal System
- Development of a Communication Strategy
- Website review and redesign
- Availability of electronic or print Newsletters
- Recommended Documents:
  - Advocacy Strategy
  - Procurement Strategy
  - Anti-money Laundering Policy
  - Investment Policy for excess funds
  - Gender policy
  - Administrative Procedures and Policy

### Recommendations for Self-Regulation

1. Must have clearly defined goals
2. Appropriately comprehensive and well-funded
3. Must take a systemic focus
4. Flexible and adaptable
5. Efficiently organized and effective
6. Reliably protect consumers and investors
7. Characterized by independence, authority and accountability
8. Foster strong corporate governance and ethics.

## The Industry at a Glance

After the Central Bank of Nigeria (CBN) phased out community banks in Nigeria due to capital inadequacy, weak institutional capacity and corporate governance malpractices, Microfinance Banks came into existence in 2005 as a vehicle to reach majority of the economically active poor population.

As at June 15, 2019, the sector had a total of 903 microfinance banks operating nationwide. The licensed category includes ten (10) National licensed MFBs, one hundred and thirty-five (135) State licensed MFBs and seven hundred & fifty- Nine (759) operating with Unit license.



The 5<sup>th</sup> Annual NMP Symposium Dinner

Notwithstanding the high number of operators, microfinance activities remain concentrated in Southern Nigeria, with an estimated 65% (585 out of 903) of all licensed microfinance banks.

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