

Triple Jump Advisory Services : Impact Study

Approach, Challenges and Results

MFI partner, Caurie Microfinance

Project 1: MIS Development

Project 2: Internal Audit

Caurie Microfinance (*Caisse Autonome pour le Renforcement des initiatives Economiques par la Microfinance*), is a small rapidly growing microfinance institution that serves over 41,000 clients in Senegal and as of December 2010, has a loan portfolio of €6 million – up from 21,000 clients and a portfolio of around €3 million at the end of 2008.

Launched in 1995 by Catholic Relief Services (CRS) and Caritas International as a microfinance program, Caurie Microfinance became a licensed institution in 2005. Caurie now has six branches in several regions of the country (up from 4 in 2008) with significant outreach in rural villages : Diourbel, Kolda, Louga, Thiès, Tambacounda and Ziguinchor – an especially excluded region that has seen war turmoil in recent years. Caurie’s mission is to offer microfinance services to poor, female-owned micro-enterprises in primarily rural areas while building a sustainable future for the institution.

Much of the success of Caurie can be attributed to their low interest rates, savings program and village banking methodology. Caurie provides loans and savings to groups of women who form village-banking groups. Caurie also provides BDS (business development services), essentially basic microfinance training on savings and loan management, improving the chance of success for each group member from the start. Caurie has over 300 Village Banks in Senegal with between 40 and 70 women in each. Because the Village Banks function as solidarity groups, in lieu of guarantees for loans, the women agree to be held responsible for their fellow group members’ loans. This social methodology is one of the reasons Caurie’s loan default rate is 0% to date.

PARTNER SELECTION

In late 2008, Caurie was selected as a Triple Jump Advisory Services partner due to its year-on-year financial and operational success record (avg 40% Gross Loan Portfolio YoY growth), strong management team, highly social mission (100% rural female clientele) and growth potential. After assessing the needs of Caurie and analyzing the operational structure, TJAS also determined a strong match between our expertise and the capacity building needs of the organization. Since TJAS’ approach is to work long term (12-24) months with partners in order to make an impact, the opportunity to assist and make an impact was evident. Caurie hoped to be operationally self-sufficient by the end of 2010¹ and indeed, they have reached and maintained their OSS at the end of our two projects together on MIS and internal audit.

Project 1: MIS

THE CHALLENGES

¹ Caurie self-reported their operational self-sufficiency (OSS) to be 116% as of December 31, 2010, on the basis on unaudited financial statements.

Caurie MF requested Triple Jump assistance with the entire development of their MIS infrastructure and organisation. Their current loan tracking system was not properly functioning, unsuitable to the current needs of the organization and not utilized consistently throughout the organization. Furthermore, they had difficulty consolidating their client information with their financial information. Much of the work was being done manually and costing time for the financial department, effecting deadlines and reporting. Hence, an evaluation was required to determine if the current system could be improved or another MIS needed to be selected. In addition, Caurie wanted to find a more systematic way of tracking client poverty information because of its social mission (since that time, Caurie has become one of the flagship MFIs for the MISION project for social performance management in Africa). Caurie requested technical assistance and guidance from TJAS to evaluate the organizations' business needs, recommend solutions and assist with the implementation of those solutions.

Additionally, Caurie sought advice on enhancing their IT department to ensure the right staff was on board and able to address both their IT networking and infrastructure needs as well as their MIS and FIS.

THE SOLUTION

Phase 1:

The first phase of work for the MIS development was to evaluate the business needs of Caurie before being able to define the functional and technical needs. The Triple Jump consultant worked for over 3 weeks in the field with Caurie management, performing business process mapping and gap analysis of the entire organizational processes including HQ operations and branch visits. This analysis allowed Triple Jump and Caurie to understand how the exact operations of each key staff member could be better automated to realize increased efficiencies. Additionally, it allowed us to identify which functionality of the current system was being used and functional areas that needing improving.

The final process mapping document was then used to evaluate and provide recommendations on how to improve the daily operations of the staff members, from the Loan Officers to the Branch Manager to the Finance Director at HQ. Another important aspect of the evaluation work was to prioritize the business needs to ensure that Caurie's MIS & FIS would include the functionality to meet these business needs initially and in future phases of development. Also, during this phase, an analysis of Caurie's IT infrastructure was performed to ensure security of their overall network, MIS application usage and access, data backup and sharing.

Phase 2:

With support from Triple Jump Advisory Services, Caurie then recruited a new MIS officer, with the requisite technical background, to lead the MIS selection and implementation process. With TJAS assistance, Caurie drafted the RFP and sent it to five MIS developers, who had been pre-selected with Triple Jump advice. In all, four responses were received and the consultant helped the MIS officer and the rest of the MIS selection committee analyze and make a first selection. The TJAS consultant then went to Senegal to select the three finalists and carry out site visits to the developers and to MFIs using the MIS in question. Caurie ended up selecting an MIS created by a regionally based developer that already has incorporated the new accounting framework that went into effect on January 1, 2010 for all MFIs of the WAEMU region and with the flexibility to integrate social performance indicators, an important requirement for Caurie. The TJAS consultant then helped Caurie to define the implementation plan with the MIS developer and security policies. As of December 2010, Caurie has migrated data into the new MIS, staff has been trained, the user acceptance test has been carried out and will soon go live with the new system. Caurie staff worked closely with the developer to integrate the PPI (Progress out of Poverty

Index) questionnaire they administer to clients into the software platform and will be able to collect information about the poverty level of their clients and track it over time – one of the first institutions to do so systematically in West Africa.

IMPACT

During the business process mapping, we discovered that certain tasks of staff members were being performed manually when they could be automated in the MIS. On this point, Caurie's CEO stated that he had always been convinced that their MIS was automated – and it took the outside look of an MIS expert to prove to him that 80% of their operations were in fact manual. Also, we discovered that among staff performing the same client and loan processing tasks at different branches, the MIS was being used differently. We also discovered several fundamental limitations with the current MIS and hence held a meeting with the MIS provider to discuss issue resolution. Additionally, there were several procedures performed by branch staff that were duplications or unnecessary – in brief, we delivered process re-engineering for branch operations which helped simplify and expedite activities. Time was also spent with the Finance director to review accounting and internal control processes and the current FIS. As a result, an upgrade purchase of the next version of their FIS was concluded to resolve several consolidation issues and other current limitations.

The results of the Triple Jump consultant's work produced a practical document of procedural recommendations which immediately allowed Caurie management to implement several simple adjustments to work flow, procedures and processes. These quick fixes allow staff to work more efficiently, reduce errors and work consistently across branches. This planning document also included a timeline and budget for several operational items which Caurie addressed before launching phase 2.

Additionally, advice in Phase 1 led Caurie to recruit additional appropriate candidates to staff their IT department and engage an external firm for annual network and hardware maintenance.

In Phase 2, the TJAS consultant helped Caurie to focus on its priority needs and ensure that the MIS proposals they received could meet those needs. Although Caurie initially preferred an MIS package that had not been used previously for a village banking methodology, with the guidance of the consultant, the institution ended up selecting an MIS that is being used widely in other WAEMU countries and has excellent functionalities and a very good reputation for post-sales customer service. TJAS also provided guidance on security measures to ensure system integrity.

As a result of TJAS support, today Caurie has an MIS with integrated portfolio management and accounting modules, capable of producing accurate reports that meet regulatory requirements. In addition, the new MIS has been configured to capture social performance indicators – a very important requirement for Caurie, given its leading role in promoting social performance management in Africa.

Project 2: Internal Audit

THE CHALLENGES

Like many MFIs that have grown rapidly, Caurie has reached a stage where internal controls needed to be reviewed and made more systematic, especially as it opens more branches in new areas and is planning to expand its product line. In addition, Caurie has just transformed from a corporation into a cooperative (in part to benefit from a more advantageous tax regime), which has a direct impact on internal controls

procedures. Under the newly enacted microfinance law, cooperatives are required to put in place oversight committees (comités de surveillance) who supervise the work of the internal audit department and carry out onsite branch visits.

Caurie recruited a new internal auditor with no previous experience in the microfinance sector and asked Triple Jump to assist the new internal auditor to take on his role, make recommendations to improve internal controls and guide in the drafting of an internal audit manual.

THE SOLUTION

Triple Jump assisted Caurie's internal auditor to carry out a mapping of current written procedures and their implementation on the ground, processes and manuals and how they are adapted to the new law and Caurie's new status as a cooperative. The internal auditor and the consultant carried out audits at headquarters and at a branch as part of the process. As a second step, the consultant submitted a set of recommendations on how to improve accounting and financial procedures and to make the necessary changes to comply with the law. The consultant also provided guidance on drafting the internal audit manual. In late 2009, the first internal auditor left Caurie and the project was suspended until a new internal auditor was recruited in April 2010. The TJAS consultant guided the new auditor to finish the internal audit manual and coached him on audit reports and carrying out his annual audit workplan. In addition, the consultant assisted Caurie in integrating the recommendations to improve accounting and financial procedures into its operational and financial procedure manuals.

IMPACT

By providing on-the-job guidance to the newly recruited internal auditor, Caurie now has a functioning internal audit department that follows an annual workplan, audits branches regularly, has tools in place to carry out those audits and write the audit reports. In tandem with the new MIS -- which allows management to follow branch-level activity in real-time, provides transactional audit trails and allows the internal auditor to do spot-checks efficiently from his office -- the project on improving the internal audit department has given Caurie the ability to more closely manage its risks and react quickly to problems that may arise.

CONCLUSION

At the end of 2010, with both MIS and internal audit projects completed, Caurie's CEO highlighted the fact that the institution has gained in efficiency, its employees can dedicate themselves to their core tasks and do so more productively, management has accurate reports when it needs them and is better placed than it was two years ago to manage and limit its risks. Speaking specifically about the MIS project, the CEO said "We can't thank Triple Jump enough for its support. Until this project, we never knew that we had not followed the right steps to select a good MIS and that we could have an MIS that really worked."