

## PMN Governance and Membership Structure

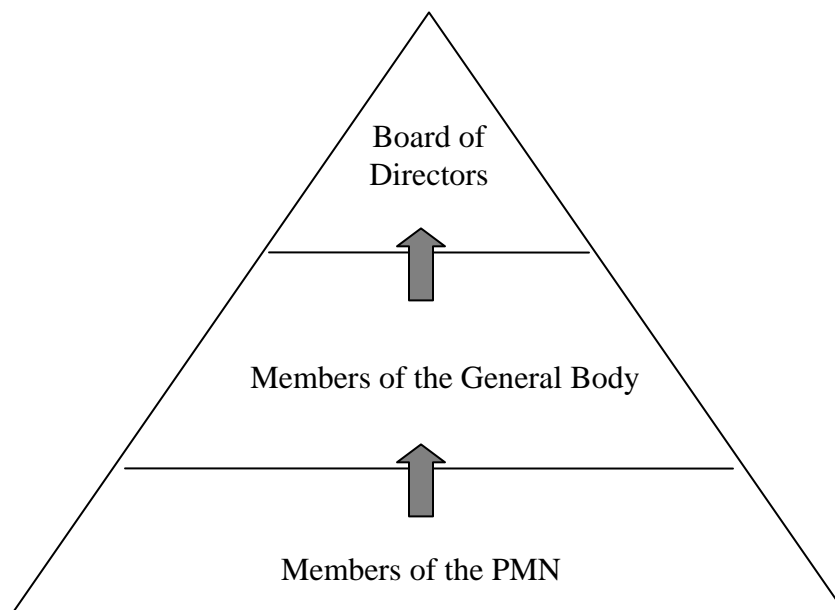
The revised governance and membership structure of Pakistan Microfinance Network (PMN) was approved by the Network’s board of directors in June 2008 and came into effect from 1<sup>st</sup> of July 2008. The structure will be reviewed in three years of time.

The objectives of this change were to put in place a structure that:

- helps in making the decision making process effective, efficient, focused and strategic.
- is democratic, diverse and performance oriented.
- strengthen PMN members

The new structure is illustrated in Figure 1 and details for membership are given below.

Figure 1: PMN Governance and Membership Pyramid



### Tier 1: Criteria for Membership of the PMN

Only retail microfinance practitioners are eligible to become members of the PMN.

Criteria		
Practitioner experience <sup>1</sup>	1 year	<i>Pre-requisite</i>
Active clients served directly <sup>2</sup>	5,000	<i>Pre-requisite</i>

<sup>1</sup> After commencement of operations.

Commitment to MF	Business Plan of organization or separate division for microfinance.	<i>Pre-requisite</i>
------------------	--	----------------------

In addition to the above pre-requisites, applicant MFPs must commit to:

- Be legally constituted:
  - in case of MFB's have a license from the State Bank of Pakistan for commencing operations
  - In case of international MFI/MFB must be legally registered with the head office in Pakistan
  - In case of Group of Companies they will need to show separate registration for different subsidiaries with retail microfinance operations
- Microfinance being a part of their regular operations
- Share PMN mission, " To achieve scale, quality, diversity and sustainability for inclusive financial services"
- Agree to comply with PMN's Code of Conduct
- Annual review by the PMN. Based on annual reviews (based on the performance matrix defined in Attachment 1) by PMN Management, the PMN reserves the right to request members to surrender PMN Membership.
- Timely, accurate and transparent disclosure of data for PMR and other PMN publications.
- Provide time and resources to PMN activities (trainings, seminars, etc)
- Openness to sharing experiences and knowledge

**Membership Fee:**

The current fee structure is as follow:

Registration fee - Not for profit MFPs	Rs.50,000/-
Registration fee - for profit MFPs	Rs.100,000/-
Annual fee (for both)	Rs.40,000/-

This is subject to review by the Board.

---

<sup>2</sup> As of the month prior to the Board Meeting

## Tier 2: Criteria for Membership in the General Body

Only Microfinance Practitioners will be eligible for membership of General Body. Membership will be performance based and linked to the sector's outreach.

Criteria	Microfinance Practitioners	
Active clients served directly	1% of total sector's outreach i.e. 15,000	<i>Pre-requisite</i>
Annual Performance Score <sup>3</sup>	60%	<i>Pre-requisite</i>

- Membership in the general body would be for three years subject to yearly performance review.
- Yearly performance reviews by the PMN management will be based on the matrix defined in Attachment 1. The PMN reserves the right<sup>4</sup> to request members to surrender their general body membership if their score falls below 40%.

## Tier 3: PMN Board

The PMN Board will be elected by members of the General Body for a period of three years. It will consist of 11 directors. In order to give representation to the various types of organizations, 5 of the directors would be from microfinance banks (MFBs) and 6 from microfinance institutions (MFIs).

The two statutory committees of the board include:

- Finance and Investment Committee
- Audit Committee

Functional committees will be constituted as per organizational requirement (currently include - PMR Editorial Board, Research Committee, International training course selection panel etc)

---

<sup>3</sup> The score will be calculated according to the matrix in Attachment 1

<sup>4</sup> Method of exit from membership is clearly spelled out in the PMN Articles of Association in clause 2.2.

#### Exit Criterion for Members:

- MFPs not performing as per the criteria set for each level of membership for 2-3 consecutive years
- A member of the AGM performing below the minimum threshold of 60% and also 15,000 clients.
- A member of the PMN that falls below 5,000 clients and does not share the PMN mission.
- Member not paying an annual subscription fee with in the financial year in which fee is due.

#### Exit Criterion for Board:

- No proxies only original Director can attend Board meeting
- A director not attending three consecutive Board meeting

#### Re-Application for PMN Membership

Organizations whose membership has been cancelled will not be eligible to re-apply for a minimum of two years after the date of exit. In addition to criteria for membership, re-applicants will be required to meet the applicable end-of-year performance targets. Re-applicants will be required to pay the one-time Registration Fee upon entry.

## Attachment 1: Performance Matrix

Criteria	Indicator	Annual Performance Measure		Scoring	
		Current	End-of-Year	Marks	Weight
Sustainability	OSS	≤ 25%	40% ↑ (annual)	≥ 40% = 1 < 40% = 0	30%
		≤ 50%	20% ↑ (annual)	≥ 20% = 1 < 20% = 0	
		> 50%	10% ↑ (annual)	≥ 10% = 1 < 10% = 0	
		≥ 100%	No requirement, however in case of drop in OSS, reason to be reported to PMN. However, MFIs falling below 100% will be reviewed against next applicable criteria	≥ 100% = 1 < 100% = 0	
Growth	Active Clients	< 5,000	100% ↑ (annual)	≥ 100% = 1 < 100% = 0	30%
		5,000 - 50,000	50% ↑ (annual)	≥ 50% = 1 < 50% = 0	
		> 50,000	20% ↑ (annual)	≥ 20% = 1 < 20% = 0	
		≥ 200,000	No requirement, however in case of decrease in number of active clients, reason to be reported to PMN. MFIs falling below 200,000 will be reviewed against next applicable criteria	≥ 200,000 = 1 < 200,000 = 0	
Portfolio Quality	Credit Risk (PAR > 90 days)	Growth Rate > 100%	Credit Risk ≤ 7.5%	≤ 7.5% = 1 > 7.5% = 0	30%
		Growth Rate > 50%	Credit Risk ≤ 5%	≤ 5% = 1 > 5% = 0	
		Growth Rate < 20%	Credit Risk ≤ 3%	≤ 3% = 1 > 3% = 0	
Specialization	Separation of accounts			Yes: 0.25 No: 0	10%
	Separation of personnel			Yes: 0.25 No: 0	
	Audited Financial Statements (with Disclosures)			Yes: 0.5 No: 0	
Total (0 - 4)					100%