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## Training Strategies: A Technical Note for Microfinance Associations

2010

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# Training Strategies: A Technical Note for Microfinance Associations

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Red Centroamericana de Microfinanzas (REDCAMIF)

Sanabel – The Microfinance Network of Arab Countries

## ABBREVIATIONS

CAM	China Association for Microfinance
CGAP	Consultative Group to Assist the Poor, Washington, DC
IBA	Institute of Business Administration, Karachi, Pakistan
ILAM	Instituto Latinoamericano de Liderazgo en Microfinanzas (Latin American Institute for Microfinance)
ILO	International Labour Organization
IoBM	Institute of Business Management, Karachi, Pakistan
IPADE	Instituto Panamericano de Alta Dirección de Empresa, Universidad Panamericana, Mexico City
LUMS	Lahore University of Management Sciences, Pakistan
MCC	microcredit company
MFC	The Microfinance Centre for Central and Eastern Europe and the Newly Independent States
MFI	microfinance institution
MFO	Microfinance Opportunities, Washington, DC
MFT	Member Feedback Tool, The SEEP Network
NIBAF	National Institute of Banking and Finance, Pakistan
NGO	nongovernmental organization
PBOC	People's Bank of China
PMN	Pakistan Microfinance Network
PVO	private voluntary organization
RFR	Red Financiera Rural, Ecuador
SEDC	Social Enterprise Development Centre, Lahore University, Pakistan
SEEP	Small Enterprise Education and Promotion Network, Washington, DC
SWOT	strengths, weaknesses, opportunities, and threats
TOT	Training of Trainers

# Introduction

Microfinance associations are often a principal source of training for their members and play an essential role in building the management capacity of microfinance institutions (MFIs). As member-based organizations, they exist to respond to the demands of their members and to strengthen the microfinance industry in their respective countries. However, many associations make the mistake of rushing to develop training programs without dedicating sufficient time to planning, resource assessment, and overall program design. This technical note provides guidance in how to develop training programs. It begins with an overview of training models, examining the pros and cons of each, along with detailed case studies of the experience of several associations. It then lays out the strategy development process that enables associations to create training programs with greater effectiveness and long-term sustainability.

Associations are in an advantageous position to help meet the training needs of their members, either through direct service provision, indirect provision, or a combination of the two. For example, an association can use in-house resources and staff to provide services directly to MFIs. Alternatively, it can take a more indirect approach by connecting MFIs to other training providers. Where an individual association falls within the direct-indirect continuum should be a deliberate strategic decision. Training effectiveness and cost efficiency is often diminished when associations develop training programs without first evaluating the most strategic approach to their given level of development and the needs and demands of their specific markets.

The development and implementation of a training program is a continuous process that requires ongoing evaluation. The process is relevant for associations developing a new training program, as well as those reevaluating existing services. Figure 1 depicts the essential steps in the training program cycle, from initial market analysis through evaluation of implemented programs and their ongoing adaptation. Steps one through three in the figure are the core building blocks of a training strategy, which are described in detail in this technical note. As the note makes clear, considerations of costs and sustainability lie at the core of all successful training programs and offer a means of assessing the feasibility of any chosen strategy.

**Figure 1. Strategic Training Program Cycle**



## 1. Training Approaches for Microfinance Associations

### Direct and Indirect Approaches

The two principal approaches to offering training services are *direct* and *indirect*. Most microfinance associations do not adhere strictly to one model, but often have a *mixed* approach that falls along a spectrum from indirect to direct service provi-

sion (see figure 2). The decision to employ a particular approach should be based on a number of considerations, including an association’s overall strategic objectives, internal capacity, comparative advantage with respect to other service providers, and most importantly, the needs and demands of the local market. Table 1 depicts the two ends of this spectrum.

**Table 1. Overview of Training Approaches**

	<b>Direct approach</b>	<b>Indirect approach</b>
<b>Description</b>	<p>An association designs, staffs, and manages training services. It must develop a pool of trainers (internal and/or external—i.e., members and consultants). Trainers may develop their own course materials and/or adapt existing materials.</p> <p>The objective of the association is to become an expert training organization and a principal provider of services to members.</p>	<p>An association acts as a broker for training services by identifying the best technical service providers and connecting them with members. Activities include advertising upcoming trainings and, possibly, sharing results of member feedback surveys on training needs, advising training providers on training curriculum development, and implementation of other quality control mechanisms.</p> <p>The objective of the association is to increase members’ access to quality training by promoting the development of a large and diverse training market.</p>
<b>Key organizational capacities/resources</b>	<p>To provide direct training services, association staff need experience in facilitation, adult learning techniques, curriculum development and adaptation, event planning, and technical knowledge of key sector trends. If these skills do not exist, staff need sufficient contacts with external trainers to build a quality program.</p> <p>Staff must have the in-house expertise to adapt trainings as the sector evolves. Additionally, the association needs strong internal processes for managing all administrative and logistical aspects of the direct delivery of trainings.</p>	<p>Technical knowledge is an advantage but, at a minimum, association staff need sufficient knowledge of the sector in order to match training needs with existing providers. Network staff must be attentive and responsive to members’ needs. They must be able to communicate these needs to service providers, as well as negotiate training rates with them on behalf of members.</p> <p>The indirect approach is often fitting for more nascent associations that want to be responsive to members, but lack sufficient staff capacity or resources to manage a full training program.</p>
<b>Most appropriate market conditions</b>	<p>The direct approach is fitting when gaps exist in the microfinance market and essential training services are not being offered by other service providers.</p> <p>Often more suitable in less-developed microfinance markets, where MFIs are relatively small in scale and members’ needs and demands are fairly homogeneous, allowing associations to more easily develop the needed expertise.</p>	<p>This approach works best in markets that have an array of quality training service providers.</p> <p>More often suitable in mature markets with significant diversity in MFI size and experience, which translates into heterogeneous needs and demands. As the market matures, some members “outgrow” basic training programs, requiring more advanced and varied technical trainings.</p>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Can result in a significant source of revenue</li> <li>• Able to tailor trainings to member needs—the association controls topics, frequency, and location</li> <li>• Builds internal staff capacity</li> <li>• Increases visibility of association in the market</li> <li>• Attracts new members</li> </ul>	<ul style="list-style-type: none"> <li>• Requires fewer resources (human and financial)</li> <li>• Enables an association to leverage its knowledge of member needs to inform specialized trainings</li> <li>• Association has more flexibility in meeting changing training needs</li> <li>• Allows for the development of a competitive training market</li> </ul>
<b>Disadvantages/challenges</b>	<ul style="list-style-type: none"> <li>• Relatively higher costs; sustaining program profits can be a challenge</li> <li>• Can lead to an unbalanced focus on training over other services</li> <li>• If training services are heavily subsidized, it may create a disincentive for other service providers to charge market rates to enter the market, ultimately limiting training options for MFIs</li> <li>• Less flexibility to adapt to frequent changes in members’ training needs</li> </ul>	<ul style="list-style-type: none"> <li>• Less control over the supply and quality of training services</li> <li>• Lower level of revenue generation</li> <li>• Fewer opportunities for publicity when partnering on trainings</li> </ul>

**Figure 2. Training Approach Spectrum**



## Mixed Approach

As noted earlier, many associations combine the direct and indirect approaches to training by offering some training directly and serving as a broker for other trainings. The need to combine approaches arises in markets where a selection of service providers exists, yet unmet training needs remain. An association needs to carefully assess where it has a competitive advantage to offer services directly and where it can partner with external providers to offer quality services.

The principal advantage of not adhering strictly to one approach is that it gives an association the flexibility to respond to member needs. Combining approaches allows an association to receive the benefits of providing direct training services, while augmenting its trainings in areas where it lacks expertise and more qualified options exist. For example, it may be advantageous for an association to provide basic credit analysis training for loan officers. This course may be in high demand among a majority of its members and provide opportunities for replication over a multiyear period. On the other hand, the demand of one or only a few MFIs for training on a particular legal or regulatory topic, such as transformation into a microfinance bank, or a new technology like mobile banking, may be best met through an external source. One challenge of managing a mixed approach is that it requires very strong partnerships with service providers to ensure that the association can effectively compete and collaborate when most appropriate.

The brief case studies shown in table 2 are representative of the diverse approaches that microfinance associations have taken to the delivery of training services in their markets.

**Table 2. Diverse Approaches to Training: Association Case Studies**

<b>DIRECT</b>	
<b>Microfinance Centre (MFC), Poland</b>	<b>Red Financiera Rural (RFR), Ecuador</b>
<p>The Microfinance Centre for Central and Eastern Europe and the Newly Independent States (MFC) was created in 1997. MFC is an international, grassroots network of over 100 microfinance institutions from the region who serve over 1.2 million clients. Members range from banks, nongovernmental organizations (NGOs), and social and commercial investors to development institutions and international private voluntary organizations (PVOs). MFC supports the development of a wide range of financial institutions through training, consulting, and research; it promotes microfinance among policy makers, regulators, the formal banking sector, and investors.</p> <p>In its early years, MFC relied heavily on members (either executive directors or senior staff of microfinance institutions) to deliver trainings. However, scheduling trainings with these busy managers was often challenging. Consequently, as the association professionalized its training and consulting business, it hired professional trainers. This allowed MFC to expand its training offerings and enhance its outreach. Early on, demand for MFC trainings was very high—more than 50 MFC training courses were offered a year. As the microfinance market in the region diversified and matured, and as MFIs created their own training units, demand for MFC trainings has decreased. It currently offers approximately 10 trainings a year, primarily to medium and small (or emerging) MFIs.</p> <p>MFC’s policy is to charge the full cost for all trainings in its capacity building program. Occasionally trainings are included in the framework of other grant-funded projects and offered at subsidized rates. These training are not, however, included in MFC’s regular capacity building program. Other local training providers also offer trainings at rates competitive with those of MFC. (International donors and investors offer trainings primarily at subsidized rates.)</p> <p>As a regional association in a region where many national associations are emerging, MFC understands the importance of collaborating with its microfinance association members on trainings. MFC is accordingly in the process of developing a decentralized training program (called Quality Network) in cooperation with local microfinance associations and training providers. The objective of the program is to expand the availability of training at an affordable cost by working with the growing number of national associations in the region.</p> <p>For more information, see: <a href="http://www.mfc.org.pl/">http://www.mfc.org.pl/</a>.</p>	<p>Red Financiera Rural (RFR) is a microfinance association that was established in June 2000 in Ecuador. RFR currently has 40 members who collectively serve close to 700,000 microfinance clients. Members of the association include commercial banks, NGOs, and financial cooperatives. RFR’s principal services include technical assistance and capacity building, financial and social performance monitoring, policy advocacy, facilitating access to funding, and product development.</p> <p>RFR organizes direct trainings as well as brokers trainings for its members. Additionally, RFR provides members access to a database of qualified technical service providers that it routinely screens. RFR works with external technical service providers, such as the INCAE Business School, to organize specialized courses on management and other topics in which it does not have expertise.</p> <p>A laudable aspect of the RFR training program is its level of cost recovery. The training department consistently generates the largest percentage of earned income for the association. While RFR does receive some donor funding to support its operations, it offers its training courses at full cost. By doing so, it ensures program sustainability while encouraging members to budget appropriately for essential training services. RFR has seen other service providers offer subsidized training for a limited amount of time, only to fail to continue operations once donor funding ends. These service providers were forced to raise rates exponentially in order to cover their real operating costs from one year to the next. Consequently, participants were either unable or unwilling to cover the additional costs.</p> <p>RFR trainings are open to the entire microfinance sector and many non-members routinely attend. The association does offer members discounted rates as a benefit, as well as annual training scholarships. These scholarships are flexible and allow members to apply funds to the trainings of most value to them in a given year. In addition, RFR periodically organizes events around “hot” topics, such as changing microfinance regulations, at no cost to members.</p> <p>For more information, see: <a href="http://www.rfr.org.ec/">http://www.rfr.org.ec/</a>.</p>

ProDesarrollo, Finanzas y Microempresa, México	Pakistan Microfinance Network (PMN)
<p>The ProDesarrollo, Finanzas y Microempresa network was incorporated in Mexico City in 2000. Prodesarrollo currently has 85 members who collectively serve over 2.2 million microfinance clients. Members include not-for-profit institutions, nonbanking financial institutions, private commercial MFIs, and banks. ProDesarrollo's principal services include training and capacity building, policy advocacy, financial performance monitoring, and the facilitation of linkages between members and the government, service providers, donors, and investors in the microfinance industry.</p> <p>ProDesarrollo has long had a capacity-building program, called the Latin American Institute of Microfinance (Spanish acronym, ILAM),<sup>a</sup> which serves its members as well as the Mexican microfinance market as a whole. One highly successful element of its training activities is the Latin American Leadership in Microfinance Program, an annual training program that began in 2004. This week-long training is designed for managers and senior managers of microfinance institutions, primarily in Mexico, but has extended its reach to other countries in the region.</p> <p>As its members have matured, ProDesarrollo has seen the target audience of the leadership program shift away from members to newer players in the microfinance market. While still offering high-quality services to the market, ProDesarrollo decided to explore other options that would serve the evolving needs of its members. The association accordingly looked for organizations in the Mexican market with which it could partner to increase the level of instruction it offered members.</p> <p>As a means to address this need, ProDesarrollo recently formed a strategic alliance with the Universidad Panamericana's School of Business (Spanish acronym, IPADE)<sup>b</sup> to conduct trainings through the university's leadership program. IPADE is widely regarded as a leader in business management training, both in Mexico and internationally. ProDesarrollo and IPADE will begin offering senior-level management training courses in 2010.</p> <p>For more information, see: <a href="http://www.prodesarrollo.org/">http://www.prodesarrollo.org/</a>.</p> <p><sup>a</sup> Instituto Latinoamericano de Liderazgo en Microfinanzas.</p> <p><sup>b</sup> The Instituto Panamericano de Alta Dirección de Empresa (IPADE), founded in Mexico City in 1967, has trained over 25,000 students in general management. It is ranked among the top business schools in the world.</p>	<p>The Pakistan Microfinance Network (PMN) was created in 1999. PMN currently has 20 members who collectively serve close to 1.7 million microfinance clients. Members are limited to retail microfinance practitioners, including banks and not-for-profit institutions that meet PMN's performance criteria. PMN's principal services include capacity-building initiatives, policy advocacy, promoting benchmarks for transparency in microfinance institutions, and serving as an information hub for the local microfinance industry.</p> <p>Until 2005, PMN was the only organization providing specialized microfinance trainings in the sector. As more service providers entered the market, PMN decided to move away from being a primary training provider and focus on advancing the work of its members through information-related services. While PMN staff continues to provide two to three basic trainings a year to members, the association has shifted its focus to collaborating with service providers to offer high-impact training opportunities. PMN has played an important role in building resources in the sector by exposing microfinance managers to international capacity-building initiatives. These initiatives have translated into improved MFI management capacity and an overall greater understanding of best practices. They have also led to greater linkages with international organizations.</p> <p>In recent years, PMN has collaborated with the National Institute of Banking and Finance (NIBAF), the International Labor Organization (ILO) Center in Turin, Italy, and the Social Enterprise Development Centre (SEDC) at the Lahore University of Management Science (LUMS) to deliver training to the sector. In some cases, PMN signs a memorandum of understanding with partner organizations, as was the case with SEDC-LUMS, while in other cases a more informal verbal agreement is sufficient to provide the joint delivery of trainings. Even though PMN partners with several different training providers who are competitors in the microfinance market, it has not faced significant difficulties in managing multiple partnerships.</p> <p>For more information, see: <a href="http://www.microfinanceconnect.info/index.php">http://www.microfinanceconnect.info/index.php</a>.</p>

## 2. Developing a Training Strategy

An association's choice to adopt a direct, indirect, or combined approach to the delivery of training services should be a strategic choice. An indirect approach may be fitting for more nascent associations that want to be responsive to members, but lack sufficient staff capacity or resources to manage a full training program. It could also be a strategy for mature associations who decide to play more of a "facilitator" role, especially if the local microfinance market has strong training providers.

The objective of this section is to outline the steps needed to create a training strategy. This strategy is informed by market research and analysis of the needs and demands of members and the industry, an understanding of the existing supply of training, and an examination of an association's capacity, organizational goals, and comparative advantages in the microfinance training sector.

### Understanding the Market

First, an association needs to ensure that a training program delivers what is required and that it fully leverages its comparative advantages in a market. To do so, an association must assess the current microfinance training market in its country or region. This assessment should identify the training needs of members and the industry in general, as well as salient characteristics of training demand. It should also evaluate the current supply of services.

#### Assessment of Training Needs

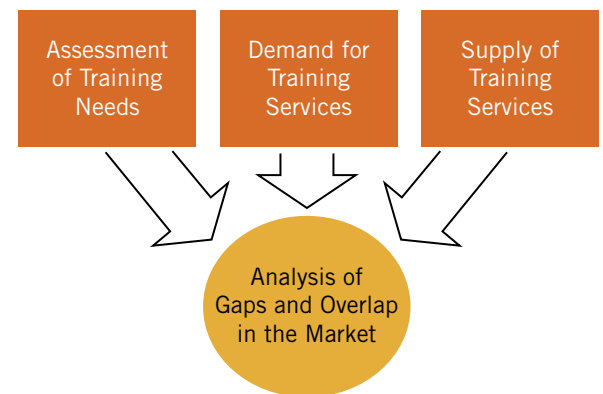
A needs assessment is an essential first step in the development of a training program.<sup>1</sup> It provides clear direction for future training initiatives and aids in the evaluation of training effectiveness. This kind of assessment ultimately seeks to identify **who needs to be trained and what they need to be trained in**. More specifically, a needs assessment should identify training needs for:

- various staff positions
- MFIs at different stages of development
- diverse operational models
- industry development, i.e., addressing weaknesses or opportunities in the microfinance sector

A needs assessment must consider the training requirements of staff at different levels within an MFI, such as field staff, administrative staff, middle management, and board members. Repayment problems, for example, may be a result of deficiencies in loan officer collection practices or may reflect weaknesses at higher levels of management responsible for product design or may indicate operations that have distinct training needs.

Likewise, associations must also be aware of the diverse needs of organizations as they evolve and grow. For example, nascent MFIs may struggle with high staff turnover, while more mature organizations may need support in legal and regulatory compliance issues. Assessments should also take into account the range of operational models among association members. The needs of NGOs, commercial banks, and cooperatives, for example, can be quite distinct. An associa-

**Figure 3. Understanding the Market**



1. For more detailed information on member needs assessments, see The SEEP Network, 2007, "[Strategies for Assessing Network Member Training Needs](#)," Network Development Services Technical Note, no. 5, The SEEP Network, Washington, DC.

tion may determine that NGOs would benefit from strengthening MIS systems, while commercial bank members need to develop better financial education programs for new clients.

In addition to identifying the operational weaknesses of association members, it is important for an assessment to look at industry-level trends that highlight needs and opportunities in the microfinance sector as a whole. Associations are ideally positioned to lead the sector, drive innovations that address common weaknesses, and promote diversification of financial services. For example, sector-wide analysis could reveal that few savings or insurance products exist. If an association proceeds to offer training on how to structure a microinsurance product, it will address member needs, while also contributing to the development of the microfinance industry.

Every association needs to define the objectives of a needs assessment and consider its capacity to adequately carry out the necessary research. The objectives identify the appropriate research methods, while association capacity dictates which methods are feasible. Formal research methods, such as surveys, focus group discussions, and one-on-one interviews, can require an up-front investment of resources, but provide clear indications of training needs. Ideally, associations draw on a mix of quantitative assessments (which define, for example, trends in general attitudes, knowledge, and skills) and qualitative measures (which are useful for illustrating specific opinions and ideas).

Associations may supplement their research with other sources. Informal, day-to-day discussions of training needs with members are useful, as are more formal member surveys. For example, The SEEP Network Member Feedback Tool is a low-cost online survey tool that associations can use to solicit feedback from members frequently and easily.<sup>2</sup> Likewise, MFI performance appraisals and benchmarking studies can provide important insights into operational weaknesses. This information, combined with third-party research on the use of technologies, new product development, or other important trends in the industry, can help an association develop a comprehensive vision of members' capacity building needs.

### Box 1. RFR's Approach to Needs Assessments

To assess member needs, RFR uses standardized one-on-one interviews with executive directors and managers to understand their employees' deficiencies. On the basis of this information, it designs a training program to address these needs. RFR receives a commitment from each MFI that identifies a training need that they will send a certain number of staff to the training program. Afterwards, the association asks each participant to complete an evaluation form and answer how he or she plans to use the new skills that they have gained. RFR shares this feedback with their managers. It then follows up with participants 6 to 12 months later in order to assess training impact in terms of the application of the knowledge and skills obtained from the training.

## Demand for Training Services

Identification of training *needs* does not necessarily translate into *demand* for services. When developing a training strategy, an association must ultimately respond to market demand. At its root, demand is the **willingness and capacity to pay for training services**, which is most often driven by the following factors:

- an MFI's top training priorities
- the preferred methodologies for receiving training
- size of market demand

.....  
2. The SEEP Network, n.d., "Member Feedback Tool: An Online Platform for Assessing Members Needs and Satisfaction," The SEEP Network, Washington, DC, <http://networks.seepnetwork.org/en/node/2183> (accessed June 21, 2010). This comprehensive tool is made up of a Web-based survey, database, and reporting system that allows microfinance associations to collect feedback from their members in a simple, systematic way.

Associations must first identify the most relevant training topics for their target audience. Asking members to rank possible training topics and methodologies helps pinpoint future demand. Associations can also use focus group discussions, interviews, and surveys as a means to gauge member opinion. Additionally, The SEEP Network Member Feedback Tool (MFT) can be customized to include questions about demand for services that an association is *considering*. The survey asks members to rank, on a scale of 1 to 4, the value of the potential services, along with members' willingness to pay for these services. Research that links training priorities with a willingness to pay and survey questions about training budgets are both useful for assessing real demand. Background knowledge of the history of subsidized training in a given country or region can lend additional insight into a market.

In addition to prioritizing training topics, it is critical to consider the preferred delivery methods of different market segments. *How* to deliver training services is often just as important as identifying *what* training services to provide. Even if existing training programs are meeting content-related demand, training approaches and delivery methods can be tailored to meet the preferences of different members and staff positions.<sup>3</sup> For example, middle management may prefer a combination of classroom instruction and personal mentoring, whereas senior management may prefer exchange visits to acquire new knowledge and skills.

Ultimately, associations need to use demand information to assess the size of the potential market for various training products. This analysis will identify the financial feasibility of various approaches to training.<sup>4</sup> Most programs must operate at a minimum scale to ensure full cost recovery. As such, associations need to prioritize the services that are most worthy of investment and can, in the long run, support the association's financial goals.

## Box 2. Market Demand Research in Central America

In 2009, Microfinance Opportunities (MFO) and REDCAMIF, the Central American regional microfinance association, conducted diagnostic research on training in six countries. In order to gauge the best format for training services, market research was carried out at two levels: the institutional level and the client level. As a regional association, REDCAMIF's intent was to provide a training that could be delivered through MFIs, their members' members, and that would benefit their operations and the industry overall. The objective of the research was to identify the demand, interest, and capacity of MFIs to deliver financial education to their clients. REDCAMIF and MFO conducted interviews with MFI staff and focus groups with dozens of clients. A key finding was that MFIs had inadequate or inappropriate materials to provide this service to their clients. It also identified the preferred delivery channels and financial education topics of these clients. As a result, REDCAMIF developed more appropriate training materials and is currently piloting a training program for MFIs to deliver throughout the region.

## Supply of Training Services

The availability and quality of existing training options should directly impact the training approaches considered by an association. These factors likewise help identify opportunities for collaboration, an important component of a training strategy. A thorough analysis of the supply of training services **assesses the availability of domestic and international training services, the quality of these offerings, and identifies remaining gaps in the market.** An association should consider all potential resources, including:<sup>5</sup>

3. For examples of useful training templates, such as needs assessments, consultant contracts, and evaluations, see SEEP's Network Development Exchange <http://networks.seepnetwork.org/en/node/2274>.
4. Jennefer Sebstad, Monique Cohen, and Elizabeth McGuinness, 2006, "Market Research for Financial Education," Working Paper, no. 2, Microfinance Opportunities, Washington, DC, 16–17.
5. The following discussion of considerations for identifying the supply of microfinance training is adapted from Lillian C. Diaz and Tran Binh Minh, 2007, "Moving Forward: Scaling Up Microfinance Training in Viet Nam; Recommendations for Training Strategy," ILO, Geneva.

- the training services that it currently offers
- in-house training of member MFIs for the professional development of their respective staffs
- microfinance training service providers that offer training locally, regionally, or internationally
- other organizations that offer relevant training
- international curricula that could be adapted to local context

The first step is to take an inventory of an association's own training services in order to determine whether its current program responds to member demand. This inventory may reveal unexpected but important results. For example, an association may believe that its members need basic credit officer training, since member MFIs experience high staff turnover, while members' top priorities may be improving the risk management skills of existing staff.

It is also essential to review members' level of satisfaction with existing services. For example, lack of participation may be related to the quality of instruction and not necessary a reflection of demand for a chosen training topic or market focus. If an association already offers trainings, it can use post-training surveys to gauge the satisfaction of participants—both members and non-members—with existing trainings. Current trainers' skills and capacity can be evaluated by looking at course designs, instructor qualifications and experience, and, perhaps most useful, participant feedback.

Additionally, supply-side analysis should consider the capacity of microfinance institutions, in terms of financial resources and skills, to provide in-house training for staff development. As MFIs mature, many choose to meet the professional development needs of their staff through their own customized training programs. This trend may reduce the demand for traditional training services.

A full analysis of the supply side of a training market should also categorize other organizations that offer related training which does not specifically target the microfinance sector. This kind of analysis is particularly relevant to soft skills and management training, which may meet some of the training needs of association members. It is also relevant to topics outside of the microfinance sector that target larger audiences, such as financial education training or general business training.

Aside from existing unique domestic training options, relevant international training materials and technical resources are available through industry organizations, such as The SEEP Network and CGAP (Consultative Group to Assist the Poor). Associations should consider how these resources could be translated, adapted to their local context, and fill gaps in the local training market.

Once a full inventory of current and potential training service providers has been taken, associations should attempt to garner information associated with the quality of their training options. Even if training services are available, when the quality is poor, gaps in supply will remain that an association must consider. Associations can gather information from their members concerning their experience with other service providers and the perceived quality of trainings offered.

A final consideration when evaluating supply on the training market is what incentives, if any, encourage training providers, freelance trainers, or microfinance providers to share resources and experiences in training and capacity building. Detecting opportunities for collaboration, resource maximization, and exchange of best practices will enhance the microfinance training industry.

### Box 3. Adapting International Resources to Local Context

REDCAMIF and member ASOMI, the microfinance association of El Salvador, are working with Microfinance Opportunities to adapt MFO's standard financial education training materials for a radio program in El Salvador. MFO previously adapted these training materials for Uganda with AMFIU, the Association of Microfinance Institutions of Uganda. The adaptation included creating picture-based brochures that enabled AMFIU's members to disseminate and reach a greater percentage of illiterate microfinance clients.

## Box 4. Expanding the Supply of Microfinance Training through Partnerships

The Pakistan Microfinance Network (PMN) is seeking innovative ways to expand training opportunities and build the capacity of the microfinance industry through partnerships with several universities throughout the country. PMN is in the process of signing memoranda of understanding with various business schools to begin mainstreaming microfinance into business school curricula. Through partnerships with the Institute of Business Administration (IBA) and the Institute of Business Management (IoBM) in Karachi, PMN is helping organize microfinance seminars at both universities, followed by summer student internships at multiple member MFIs. PMN is also planning to commission student groups and faculty at IBA to carry out a microfinance research study. Similarly, the association is working with the Development Research Policy Centre at the Lahore University of Management Sciences (LUMS) to sponsor a course on microfinance. The objective of these initiatives is to build the capacity of the sector by developing a large pool of human resources educated in microfinance.

## Evaluating the Capacity and Strategic Position of an Association

After determining the gaps between what is needed and/or demanded by the target market and the supply that is available, an association must assess the **existing or desired capacity that can be devoted to training and how training fits its strategic position in the market**. This assessment should include a variety of factors, such as:

- necessary human and financial resources
- how a training approach fits with its strategic objectives
- the role that the association sees itself playing in the training market
- the association's comparative advantages

Different approaches to training require distinct levels of input from associations. As noted in table 1, in-house human resources with suitable skills are needed to deliver training services directly. In an indirect approach, associations provide more logistical support, while relying on external technical expertise to deliver training. A critical step in evaluating options is for associations to review their current capabilities—including governance, management, and staff capacity—to deliver training programs and develop new initiatives. These capabilities may lie across the direct-indirect spectrum.<sup>6</sup> In addition, associations should consider the crucial financial, technical, and organizational resources that they will need to develop their respective strategies.

A realistic assessment of available association resources and the identification of additional resources required to scale up a program are a prerequisite of any strategic decision. For example, an association may currently have one staff member dedicated to running its training program who is able to organize 10 trainings a year, primarily using an indirect approach. After determining that its members need and will pay for at least 30 trainings a year, the association must decide to add additional staff and deliver more direct services.

6. For examples of useful training templates, such as needs assessments, consultant contracts, and evaluations, see SEEP's Network Development Exchange <http://networks.seepnetwork.org/en/node/2274>.

An important foundation for any association's operations is its strategic plan, which establishes its broader organizational goals, together with a business plan that lays out the implementation of those goals.<sup>7</sup> Using its strategic plan, an association should assess how training fits into its mission and vision, as well as how it relates to its objectives and core program areas. For example, many microfinance associations have explicit social goals, such as poverty reduction or the financial inclusion of marginalized populations. In such cases, an association will want to ensure that its training programs respond to these objectives by including a broad base of topics on both the financial and social performance of MFIs.

### Box 5. Training of Trainers

A training of trainers (TOT) approach is a tactical way to build local capacity to offer training services. Sectors with high-quality training service providers can facilitate TOTs for the staff of the association and those of its members at the same time. The TOT approach is, moreover, not limited to microfinance trainers—it can be appropriate for any type of service provider.

For example, Sanabel, the Microfinance Network for Middle East and North Africa, identified very little training capacity in the area of consumer protection. They weighed the options of having an international consultant lead a TOT for their staff and members versus sending staff and consultants to existing international trainings. Sanabel calculated that it was more cost effective to contract and send two local consultants to a Smart Campaign training on consumer protection.<sup>8</sup> The consultants' contract included a stipulation that they would later train a group of Sanabel staff and consultants once they returned to Egypt. Through this TOT approach, Sanabel was able to build the capacity to deliver consumer protection training in the region at a lower cost.

An association or other TOT service provider can also incorporate a trainer certification component, which can help standardize trainer qualifications and ensure training quality.

A membership strategy may also influence an association's training approach. For example, if an association wants to increase its membership beyond traditional NGO members, it could offer trainings that respond to the needs of different market segments, such as those of credit cooperatives or commercial banks. Access to training programs is often a strong incentive for membership.

In addition to its strategic market position, an association should assess its comparative advantage in different service delivery approaches.<sup>9</sup> A SWOT (strengths, weaknesses, opportunities, and threats) analysis may be useful for this purpose because it helps an association learn how to best position itself within a given training market. Box 6 shows the example of the China Association for Microfinance, which used a SWOT analysis as part of a larger strategy development process.

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7. For more information on strategic planning, see The SEEP Network, 2010 "Strategic and Business Planning: A Guide for Microfinance Associations," The SEEP Network, Washington, DC, <http://networks.seepnetwork.org/en/node/2273>
  8. The Smart Campaign is a global campaign committed to embedding client protection practices in the institutional culture and operations of the microfinance industry. See its Web site at <http://www.smartcampaign.org> (accessed June 21, 2010).
  9. Nhu-An Tran, 2009, "Building the Capacity of the China Microfinance Sector: Recommendations for Developing a Sustainable Microfinance Training Market in China," China Microfinance Association, Beijing, China.

## Box 6. SWOT Analysis<sup>10</sup>

In 2009, the China Association for Microfinance (CAM) hired a consultant to conduct a SWOT analysis of its capacity to provide training. The results, summarized below, indicate that CAM's comparative advantage lies in its knowledge, experience, and relationships with NGO-MFIs, especially small organizations with a strong social mission. At the same time, CAM needs to promote itself as the association for the broader microfinance sector in order to strengthen its position and establish credibility in the sector. CAM has incorporated this analysis into a new training strategy to maximize its comparative advantage.

CAM's SWOT Analysis	
<b>Strengths:</b> <ul style="list-style-type: none"><li>• CAM has access to a broad range of MFI members.</li><li>• The association's training department will inherit a good set of core courses developed by the Citi Microfinance Training Center, as well as an established group of trainers.</li></ul>	<b>Weaknesses:</b> <ul style="list-style-type: none"><li>• CAM has no legal status and no permanent, full-time executive director.</li><li>• The association has strong relationship with NGO-MFIs, but is not well known by microcredit companies (MCCs) or other commercial entities that make up the larger part of the microfinance market.</li></ul>
<b>Opportunities:</b> <ul style="list-style-type: none"><li>• CAM could collaborate with technical assistance providers, such as Planet Finance and Accion, that are interested in working with the association on sector-wide needs, including training.</li><li>• CAM could increase the supply of training courses by developing new materials tailored to its members' needs, or by translating existing materials into Chinese.</li><li>• CAM could experiment with different training styles that emphasize practicums over theory.</li></ul>	<b>Threats:</b> <ul style="list-style-type: none"><li>• Competition exists in the training market from the PBOC (People's Bank of China) Graduate School and other providers, particularly as they increase their offerings.</li><li>• The MCCs and bigger NGO-MFIs may form their own association and begin offering similar services, including training, to the microfinance sector.</li></ul>

## Formalizing a Training Strategy

Once an association has analyzed the training market, its strategic position, and options for training approaches, it must develop a coherent strategy for its training program. Ideally, the strategy will take the form of a written document that outlines the association's training objectives and summarizes the essential steps necessary to achieve these objectives. The strategy should clearly describe the association's chosen training model; explain the target audience(s), principal delivery mechanisms, and potential partners; and describe the resources required. In addition to using the strategy internally, an association should make certain components of the strategy document publicly available. This gesture is helpful for marketing purposes and can be used to solicit funding, when needed.

Box 7 provides a sample outline of a comprehensive training strategy developed for an association.

### Costs and Sustainability

In order for a training strategy to be effective, sustainability must be a cornerstone of strategy development and should serve as a means of assessing the feasibility of the strategy. Therefore, a training strategy must establish **how the training program will become sustainable in the long-run**. To address this challenge, an association must identify:

- key cost drivers
- a pricing strategy that covers costs while keeping trainings affordable for MFIs
- the implications of subsidies on both its own program and the training market as a whole
- the best implementation plan for long-term sustainability

10. Tran, 2009, "Building the Capacity," 17.

## Box 7. Sample Outline of a Training Strategy<sup>11</sup>

- I. Executive Summary
- II. Rationale: Purpose of Training Strategy and Refinement of Current Model
- III. Governance: Roles and Responsibilities of Association and Partners
- IV. Background of How Training Fits into Association's Development Objectives
- V. Current Situation
  - a. Current systems and procedures
  - b. Topics generally covered
  - c. SWOT analysis
  - d. Development gaps in the market
- VI. Statement of Training Objectives
- VII. Target Audience
  - a. Field staff of MF practitioners
  - b. Middle management of MF practitioners, donors, etc.
  - c. Executive level of various stakeholders
- VIII. Delivery mechanisms:
  - a. Classroom
  - b. Distance learning
  - c. Partner agencies
  - d. Parameters of a separate certification program
- IX. Training Delivery Model
  - a. Potential partners
  - b. Location and schedule of trainings
  - c. Development of high-quality, relevant learning materials
- X. Strategy for cost recovery
  - a. Human resources
  - b. Financial resources
- XI. Training Management
  - a. Administration
  - b. Trainer certification and performance standards
  - c. Quality assurance
- XII. Branding and Communication Strategy for Key Stakeholders
- XIII. Risks and Constraints

First, an association must realistically calculate the resources required to implement a training program and develop a plan for gathering those resources. To turn a training strategy into a functioning training program, financial and human resources are essential. While different training approaches require distinct resources and skill sets, a key cost driver is staffing. Other influential factors include the extent of external trainer usage and rates, venue costs, the number of planned events, number of planned participants, translation requirements, and additional required sound or IT equipment and materials.

A useful tool for estimating the costs of various products is The SEEP Network's 2010 publication, "Product Costing and Performance Analysis: A Toolkit for Analyzing Associations' Service Offerings."<sup>12</sup> This toolkit provides guidance on determining the administrative cost structure of an association's products and services and analyzes the implications of current pricing on its long-term financial sustainability.

Once an association has a clear idea of costs, it must develop a pricing plan for different trainings that promotes the long-term sustainability of the program while strengthening the microfinance training market. It is important that a plan include a funding strategy that promotes innovative ways of leveraging resources, diversifying the funding base, and developing fee-for-service payment arrangements.<sup>13</sup> The pricing of trainings goes hand in hand with their proven value, as well as the prices of similar trainings available on the market. After demand has been assessed and an association develops a training program to meet that demand, it must still demonstrate the quality and value of the training in order for MFIs to agree to pay their full cost.

Associations often feel that they must offer subsidized trainings, especially for a new program, because members will not be prepared to bear the full costs of participating. Nevertheless, when considering whether to subsidize a training program, an association should consider the broader implications for the training market as a whole. For example, if an association has generous funding to develop an extensive direct training program, it may seem practical to offer subsidized training services. Such subsidies could, however, distort the market by preventing other service providers from entering or competing fairly and, in the long term,

11. Adapted from Nina Nayar, 2009, "Sanabel Microfinance Network for Middle East and North Africa Training Strategy," Sanabel Microfinance Network, Giza, Egypt.

12. This toolkit can be found on the SEEP Network Web site, Development Exchange page, at <http://networks.seepnetwork.org/resources/result/result/414> (accessed June 21, 2010).

13. Diaz and Mihn, 2007, "Moving Forward," 15.

negatively influence participants' willingness to pay for services. Additionally, highly subsidized programs are a challenge to sustain over the long term. Even when associations can afford to subsidize trainings, which may make services initially more attractive, their training strategies should include a timeline for eliminating these subsidies and achieving full cost recovery.

An association that has funding and is just beginning its training program may opt for a pricing scheme that starts off with some subsidies, but scales back the percentage of subsidized training over several years. In the first year of a program, for example, the association could offer scholarships to cover eighty percent of member costs. The following year, it could scale back the subsidy to sixty percent of member costs, then to forty percent, and so on. This strategy would allow the association to demonstrate the value of its training program to MFIs, while simultaneously working with members to budget for their future training costs, resulting in a more sustainable training program.

### **Box 8. Strategic Approach to Training Fees**

Sa-Dhan, the Indian Association of Community Development Finance Institutions, has received generous funding from donors, including the U.K. Department for International Development. This funding often includes a capacity-building component to cover the cost of providing training services. Fully subsidized training would, however, deter the growth of the microfinance training industry and create false expectations that trainings will always be provided at artificially low costs. Sa-Dhan elects to charge a per-person fee for all training services. Since donor funding covers the operational costs of its trainings, these fees are channeled to an endowment that will provide sustainable financial support for Sa-Dahn's training program over the long term. This strategy not only recognizes the level of influence that an association can have in shaping the training market, but also focuses on sustainable long-term financial planning.

## **Conclusion**

A sustainable training strategy is a guide for the creation (or adaptation) of a training program and its implementation. A training strategy is an ongoing process that requires continuous evaluation and adaptation to ensure that, over time, training remains demand driven, continues to meet MFI needs, and promotes the development of the microfinance industry. Box 9 summarizes the key questions related to the development of such a strategy. These ten questions will both guide the creation a training strategy and help ensure that the resulting training program is sustainable and successful.

### **Box 9. Ten Questions for Creating a Training Strategy<sup>14</sup>**

1. Who needs to be trained and what do they need to be trained in?
2. What types of training is the target audience willing and able to pay for?
3. What domestic and international trainings and curricula are available to fill gaps in the training market?
4. What is the capacity of the association to implement different training strategies?
5. How does training fit into the association's strategic objectives?
6. Where does the association have a comparative advantage in the training market and how can the association advertise that advantage over other training providers?
7. Where along spectrum from direct to indirect service provision is the most strategic place for the association within the current market?
8. How can the association price trainings to cover costs, yet have them still remain affordable for MFIs?
9. How will the association's training strategy be implemented and how will it be sustainable in the future?
10. What is the plan for ongoing evaluation and adaptation of the training strategy to ensure that training remains demand driven and promotes the development of an evolving industry?

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14. Adapted from Diaz and Minh, 2007, "Moving Forward"; and Tran, 2009, "Building the Capacity."

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## **About SEEP**

The SEEP Network is a global network of microenterprise development practitioners. Its 80+ institutional members are active in 180 countries and reach over 35 million microentrepreneurs and their families.

SEEP's mission is to connect these practitioners in a global learning environment so that they may reduce poverty through the power of enterprise. For 25 years, SEEP has engaged with practitioners from all over the globe to discuss challenges and innovative approaches to microenterprise development. As a member-driven organization, our members drive our agenda while SEEP provides the neutral platform to share their experiences and engage in new learning on innovative practices. The SEEP Network helps strengthen our members collective global efforts to improve the lives of the world's most vulnerable people.



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