

V3: This document is updated as of 28th April 2017

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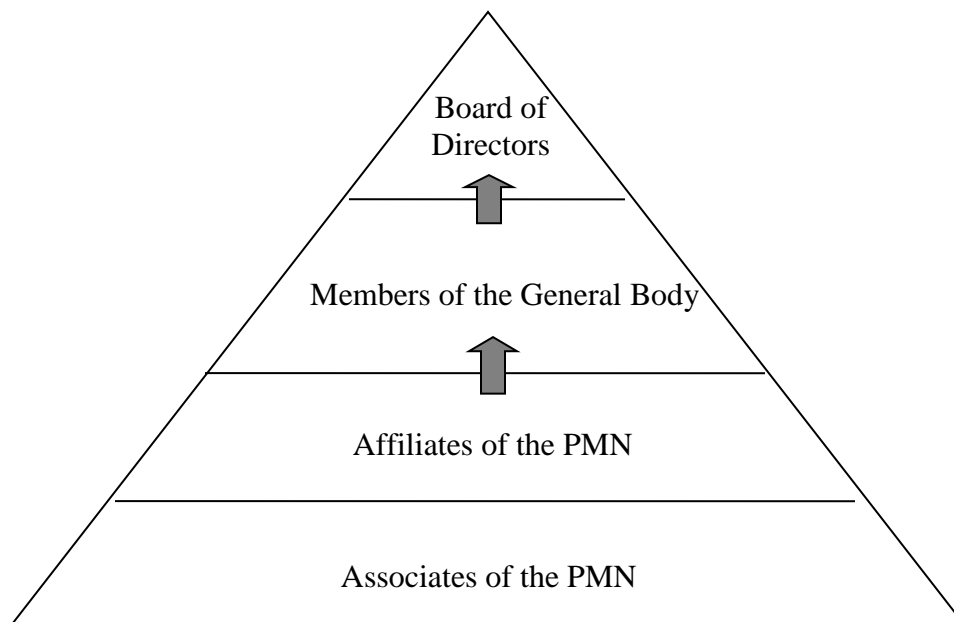
## PMN Governance and Membership Structure

PMN's governance structure has been developed keeping in view the following<sup>1</sup> objectives:

- decision making process should be effective, efficient, focused and strategic
- the structure should be democratic, diverse and performance oriented
- it should strengthen PMN members

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

**Figure 1: PMN Governance and Membership Pyramid**



### Tier 2: Criteria for Affiliation of the PMN

Retail microfinance practitioners are eligible to become members of the PMN.

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<sup>1</sup> The revised governance and membership structure of Pakistan Microfinance Network (PMN) was approved by the Network's Board of Directors in its meeting held on April 28, 2017. The structure is subject to improvements by the Board keeping in view the broader objectives of inclusion and performance

Criteria		
Practitioner experience <sup>2</sup>	1 year	<i>Pre-requisite</i>
Active clients served directly <sup>3</sup>	5,000	<i>Pre-requisite</i>
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 (As per the performance matrix defined in **Attachment 1**) by PMN Management, the PMN reserves the right to request members to surrender affiliation with the PMN. However such removal will require approval of the Board.
- 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<sup>4</sup>:

The current fee structure is as follow:

Registration fee - Not for profit MFPs	Rs.250,000/-
Registration fee - for profit MFPs	Rs.500,000/-

Annual fee as per the Table below

Category	Size	Criterion (Asset base in Rs.)	Membership Fee
Tier I	Small	<200 million	Rs. 75,000

<sup>2</sup> After commencement of operations.

<sup>3</sup> As of the month prior to the Board Meeting

<sup>4</sup> Last revised in 44<sup>th</sup> meeting of the PMN BoD

Tier II	Medium	>200 m & <1 billion	Rs. 150,000
Tier III	Large	>1 billion	Rs. 250,000

In addition to this tiered structure by size of MFP, members of the General Body (not present on the Board) will pay an additional annual fee of Rs. 25,000 and members of the Board will pay an additional Rs. 50,000.

This is subject to review by the Board.

Criteria	Microfinance Practitioners	
Active clients served directly	1% of total sector's outreach <sup>5</sup>	<i>Pre-requisite</i>
Performance Score <sup>6</sup>	60%	<i>Pre-requisite</i>

### Tier 3: Criteria for Membership in the General Body

Membership of the GB will be performance based and linked to the sector's outreach.

- 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 BoD's reserves the right to request members to surrender their general body membership if their score falls below 40% within this 3 year period.
- Every three years a new General Body will be announced based on the average performance<sup>7</sup> of the last three years of the MFP as per the performance matrix in **Attachment 1**.

### Tier 3: PMN Board

The PMN Board will be elected by members of the General Body for a period of three years which will consist of 15 directors<sup>8</sup>. Board composition will reflect the market share of the different peer groups at the time of election<sup>9</sup>.

The two statutory committees of the board include:

- Policy 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>5</sup> Based on MicroWATCH data.

<sup>6</sup> The score will be calculated according to the matrix in Attachment 1

<sup>7</sup> Source document for this information will be the Pakistan Microfinance Review.

<sup>8</sup> This number may be changed by the Board however composition of the Board will ensure representation of both MFIs and MFBs based on their market share in terms of GLP and active borrowers at the time of election.

<sup>9</sup> This market share will be calculated from latest MicroWATCH data and will be based on their market share, determined by the average of outreach (active borrowers) and GLP.

**Exit Criterion for Members:**

- MFPs not performing as per the criteria set for each level of membership
- Member not paying an annual subscription fee within 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 meetings

**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.

**Membership for Associated/Group of Companies:**

**(Updated through Board decision 27<sup>th</sup> April 2009 - 32<sup>nd</sup> Board Meeting)**

- Each separate entity of a group is eligible to be a separate affiliate of PMN subject to fulfilling membership criterion for affiliates.
- One group of companies is entitled to only one vote in general body. Thus of the group, if more than one company qualify for membership in the general body, only one entity will be eligible to become member of the general body. The group chairperson will decide which entity is going to represent that group in the general body. If the group remains unable to decide then PMN (chair, vice chair & CEO) will decide based upon performance of each qualifying entity within the group as per the performance metrics approved by the Board.

As part of its agreements with different donors including PPAF, DFID, FIP for operational and endowment grants two new categories have been created within the PMN governance structure during 2013/14:

**Creation of Associates Category**

**(Updated through Board decision 27<sup>th</sup> February 2013 - 45<sup>th</sup> Board Meeting)**

**Tier 1: Criteria for Association of the PMN**

Retail microfinance practitioners are eligible to become associates of the PMN.

Criteria		
Practitioner experience <sup>10</sup>	1 year	<i>Pre-requisite</i>
Commitment to MF	Business Plan of organization or separate division for microfinance.	<i>Pre-requisite</i>
Transparency	Submission of audit accounts for last two years	<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
- Not more than 25 percent of their total funding should be sourced from any other PMN member, affiliate or associate
- 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 (As per the performance matrix defined in **Attachment 1**) by PMN Management, the PMN reserves the right to request members to surrender association with the PMN. However such removal will require approval of the Board.
- 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

Once an associate meets the criterion for an Affiliate, it will be eligible to move upwards into the next tier of membership. Associates category has a reserved seat in the GB and Board, to be filled by the representative elected by the associates themselves.

<sup>10</sup> After commencement of operations.

**Conditions for Associates:**

- There will be some activities of PMN that these members will not have access to. These will include international trainings and international exposure visits.
- Once an associate meets the criterion of an affiliate, it will qualify for that tier and have access to these services as well and will be required to pay dues of the affiliates (such as the annual membership fee) as applicable at the time.

**Membership Fee:**

- One-time registration fee: PKR 60,000/-
- Annual Fee: PKR 50,000/-

This is subject to change as per decision of the PMN Board.

**Inclusion of Independent Directors in the Board**

**(Updated through Board decision 16<sup>th</sup> January 2014 - 49th Board Meeting)**

To reflect the larger financial inclusion industry, the PMN Board resolved and approved the inclusion of three independent directors.

## 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 < 50%	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	
<b>Total (0 - 4)</b>					<b>100%</b>