



Strengthening NILS

Frequently Asked Questions

20 March 2017

1. Why does the “Strengthening NILS Strategy” introduce a new operating model?

The aim of the strategy is increase the reach and impact of NILS. Given the constrained funding environment that all organisations in the community sector operate in, Good Shepherd Microfinance wants to make it easier for organisations to participate in NILS and to make NILS available to everyone who is eligible, regardless of where they live. This is what we mean by ‘equity of access’.

The operating model creates a new option for organisations that struggle with the administrative burden of the current NILS model. Over recent years, nearly 50 stand-alone providers have withdrawn and others have struggled to maintain their reach. However, growth in NILS has largely been achieved through access to hub-and-spoke and centralised providers who are collaborating to offer NILS.

A more collaborative approach means that organisations will have the option to participate in NILS by focusing their effort on raising awareness, assisting clients to apply for a loan through a financial conversation and by connecting clients to other services if appropriate. Other organisations can share their loan management capability to ensure clients have a quick turnaround on their applications and that administration is more efficient.

These elements, together with a more consistent and inclusive approach to loan purpose and serviceability means that more people will be able to access NILS and experience the positive flow on effects of a safe, affordable and fair small loan.

2. Will the changes impact all providers?

The Strengthening NILS Strategy is introducing changes that will impact all providers including features of the NILS loan and the shared infrastructure (online platform).

The option to work in a collaborative way is open to providers who currently provide an end-to-end service (eg. client interviews, processing loan applications and managing loan books) but want to focus their efforts on client support.

3. How will changes to funding impact paid and non-paid positions?

NILS is a national program that has evolved differently in each state and territory over 36 years, particularly in the last 10. The way NILS is offered has also evolved differently within each of the organisations that participate.

We acknowledge that the operational funding from Good Shepherd Microfinance (through DSS) does not cover the full cost of delivering the program. We continue to make representations to governments and other organisations to increase NILS funding.

Organisations that receive a grant make their own choices about how that funding is allocated – our only request is that it is invested in NILS. For example, providers may choose to:

- Pay staff to co-ordinate NILS and support volunteers to do some or all of the work involved in NILS;
- Pay staff involved in other programs additional hours for time spent on NILS;
- Employ paid staff specifically for NILS, usually part-time;
- Pay non-salary expenses and rely on volunteers; or
- A combination of the above.

New South Wales is the only state where the state government funds dedicated positions within NILS provider organisations.

Given these factors, it is very difficult to generalise about the impact on individual workers. Staff working for Client Support Providers will see the most change as they will no longer be required to administer the loan book or follow-up clients who miss repayments (although some follow-up may be negotiated by Loan Providers).

The impact may vary because the amount of funding available from Good Shepherd Microfinance may increase or decrease depending on the level of Client Support funding available for the region(s), what share of that funding is offered to the provider, and whether other funding is available from state/territory governments or other sources.

4. How will reach be increased if funding is decreased in certain areas?

The total funding for NILS from Good Shepherd Microfinance has not changed.

The regional allocation of client support funding does mean that Client Support Providers in some regions could be offered less funding from Good Shepherd Microfinance than they have received in the past. Providers generally estimate that half their time/resources go to loan management activities, therefore the change in responsibilities should at least offset this reduction. We are aware, however, that this could have a negative impact on some organisations and individuals.

This is more likely to occur in regions that are currently relatively better served than others, where awareness of NILS is likely to be higher. To help prevent a reduction in reach, Good Shepherd Microfinance will:

- make new systems available to help providers increase their efficiency
- broaden and standardise the loan purposes and other criteria for access to NILS

- support providers to review their practices to reduce ‘no-shows’ and other factors that contribute to longer waiting times and ultimately less reach.

On the other hand, funding will increase in some areas creating the opportunity for providers to offer services in regions relatively underserved at present and to reach people in communities that have little or no access.

5. Is funding being taken away from community organisations?

The pool of available funding remains the same and as before, funding will only be offered to ‘for-purpose’ community organisations. The new approach distributes operational funding in a more equitable way, based on regional need, rather than past loan volume which disadvantaged providers that did not have access to additional state/territory funding.

6. When will changes begin and how long will the implementation process take?

Some aspects, such as the standard NILS loan will come into effect on July 1 2017. The transition to the new shared infrastructure and the collaborative network operating model will occur gradually and is expected to be largely complete by the end of 2017.

7. What steps has Good Shepherd Microfinance taken to ensure that the provider network is involved in changes at each step of process?

In September 2015, Good Shepherd Microfinance asked providers to be involved in determining the future direction of NILS. There was an invitation to form strategic working groups and approximately 30 people from a diverse range of organisations volunteered to be involved.

The findings from the working groups, along with a high level strategy to deliver their priorities and recommendations, were presented at the National NILS Conference in Adelaide in 2016. In August 2016, program managers and microfinance workers were asked to contribute their views, feedback and suggestions. This feedback was followed up by the team at Good Shepherd Microfinance.

From September through to early November, a number of meetings and workshops were held in South Australia, New South Wales, Queensland and Victoria to share and test insights and direction. We also consulted with many individual providers in the other states and territories.

The first discussion paper, released in November 2016, gave a ‘snapshot’ of NILS nationally. The paper was informed by many years of feedback, learnings, network requests and recommendations for improvements to the NILS model. We established a forum on Good Learning to encourage discussion amongst providers and Good Shepherd Microfinance.

The second paper, released in January 2017, was followed by a series of webinars and individual follow-up by the State Microfinance Managers. We have been listening to the concerns and areas of agreement expressed on the online forum and in these meetings, which has in turn informed the details of the tender information pack.

8. I'm concerned about the recommended model's ability to allow for differences from region to region. How does it take into account the individuality of regions, providers and clients?

One of the key elements of this strategy is the focus on the unique needs and characteristics of each of the 78 regions in Australia. Providers have been able to 'assess and decide' which part of the loan process they would like to dedicate their time to, based on their resources, expertise and client demand.

9. How will relationships between Client Support Providers and Loan Providers be supported?

Many NILS providers have started reaching out to other providers to discuss potential partnering relationships. Others will still need to determine what role they want to play and which organisations they want to work with. These relationships will continue to develop organically and may change over time.

Good Shepherd Microfinance can help facilitate these connections and advise what partnering options might be available.

10. If clients don't have a relationship with Loan Providers, will this impact on CNPs?

Our analysis suggests that the development of focused roles in providing NILS will likely reduce CNPs for the NILS network rather than increase them.

Good Shepherd Microfinance has learned from and adapted elements of existing operating models to develop the collaborative network model.

There have been many examples from all over Australia of centralised, hub and spoke, and even stand-alone providers where the NILS worker who interviewed the client did not manage the loan book or follow up on CNPs. Many of these have managed to do so while maintaining low CNP and write off rates.

Effective collaboration between Loan Providers and Client Support Providers will be an important aspect of supporting clients through financial hardship.

11. Is there funding available to support regional providers in attending conferences, forums and training?

We recognise the cost and difficulty for many providers in attending conferences, forums and training. We have put many practices in place to keep the events and training as affordable and accessible as possible. For example:

- The National NILS Conference is held in a different state each year so that we can reach new attendees each time. We heavily subsidise the price of tickets through sponsorship. We also publish the presentations on the conference website and share many of the insights in our Network Matters newsletter. For the past three years, we've also held a provider competition for an all expenses paid trip to the conference.
- We offer a variety of local forums, training and meetings across the country each year and hope that these provide an affordable option for people to connect with their NILS colleagues.
- Our Good Learning platform is a free resource offered to all providers – a digital learning platform offering online training modules covering key skill areas. There's some great topics available including 'Women and Money – An Introduction to Finance Abuse' and 'Budgeting with MoneySmart'.
- Good Learning also provides a discussion forum so that providers can share their client experiences, insights and ask for help or support from the entire network.

NILS providers are free to choose how to best use the funding made available to them and attending events is not compulsory. There is no funding specifically ear marked for attending these events.

12. Should more than one person be responsible for assessing and approving/declining loans?

Several NILS providers have been authorised to have one person (not the interviewer) assess loan applications for a number of years. This experience has shown that outcomes for clients are not adversely affected and that faster turnaround times can be achieved.

Supported by the new shared infrastructure, Good Shepherd Microfinance will no longer require more than person to assess loan applications.

There is flexibility for Loan Providers to trial what works best for them, including having more than one person assessing and approving loan applications if they wish.