

# **Strengthening the No Interest Loan Scheme**

**Information for grant applicants**

## Message from Adam Mooney

Just over 35 years ago, the Good Shepherd Sisters, famous for their audacity, provided seed funding to start a no interest loan program in Collingwood. The program was developed in response to reports from youth workers that a lack of access to money and credit was a major hurdle for people trying to improve their circumstances.



A lot has changed since then but the heart and soul of the No Interest Loan Scheme (NILS) remains the same. The program treats people with compassion and respect, it enables clients to live with dignity, it provides a fair alternative for credit and it's still as audacious today as it was back then.

Our discussions with NILS providers over the past 18 months have guided our approach to Strengthening NILS. Many of you have expressed frustrations that the current NILS model isn't fulfilling the significant need that exists in your communities. In addition, we have also heard that you often feel weighed-down by the administrative burden of the current NILS model, in an environment where resources are already stretched and clients are experiencing long waiting times.

These factors, among others, led to the realisation that the NILS model needs to evolve. This new operating model, developed alongside providers, builds on the established strengths of the community network and its essential role in providing safe, fair and affordable finance to people who are excluded from mainstream banking.

I am excited to move into the next phase of the Strengthening NILS Strategy by officially opening the grant application period. This document provides information for community organisations who are interested in applying for funding to be a NILS Client Support Provider or Loan Provider.

Together, our NILS program has been changing people's lives, especially women, and giving choices to some of society's most vulnerable people for more than 35 years. Your role in offering NILS to people on low incomes is essential to the continued success of the program.

Our team across all states is looking forward to working with each of you to make this transition as smooth as possible. We're confident that the Strengthening NILS Strategy will result in increased reach and positive outcomes for clients, while at the same time offering greater cost-effectiveness and sustainability for providers.

Over the last month I have met with and had conversations with many providers to seek feedback and understand concerns and opportunities raised. This is in addition to the discussion at state NILS forums and recent webinars. Our reflections on these recent conversations have directly informed the application process.

Thank you for your support.

Adam Mooney  
Chief Executive Officer  
Good Shepherd Microfinance

## Contents

<b>Message from Adam Mooney .....</b>	<b>2</b>
<b>NILS 2017 – 2020 .....</b>	<b>4</b>
<i>Purpose of this document .....</i>	<i>4</i>
<i>Strengthening NILS framework.....</i>	<i>4</i>
<i>Funding context.....</i>	<i>5</i>
<b>Client experience .....</b>	<b>6</b>
<i>Understanding NILS clients .....</i>	<i>6</i>
<i>Meeting client expectations.....</i>	<i>6</i>
<i>The standard NILS loan .....</i>	<i>6</i>
<b>New systems and processes .....</b>	<b>8</b>
<i>Shared infrastructure .....</i>	<i>8</i>
<i>MyNILSApp .....</i>	<i>8</i>
<i>Loan Management System .....</i>	<i>9</i>
<i>Security and data privacy.....</i>	<i>9</i>
<b>Service delivery .....</b>	<b>10</b>
<i>Operating Models.....</i>	<i>10</i>
<i>Requirements for participation.....</i>	<i>12</i>
New Participation Agreement with Good Shepherd Microfinance.....	12
Reaccreditation of Loan Providers and registration of Client Support Providers .....	12
Changes to capital access requirements for Loan Managers .....	12
<i>Transition arrangements.....</i>	<i>12</i>
Client Support Providers .....	13
Loan Providers .....	13
<b>Measuring progress towards greater reach and impact.....</b>	<b>15</b>
<b>Operational funding July 2017 – June 2020 .....</b>	<b>16</b>
<i>Grant application evaluation process .....</i>	<i>16</i>
Client support funding.....	16
Loan management funding .....	17
<i>Timeline for funding outcomes and transitional funding arrangements .....</i>	<i>18</i>
Questions from applicants before submissions close.....	18
<i>Funding available .....</i>	<i>19</i>
<b>Glossary.....</b>	<b>22</b>

# NILS 2017 – 2020

## Purpose of this document

This document has been developed for community organisations currently participating or interested in participating in NILS. It has two main purposes:

1. Describe how the NILS program will operate from July 2017, including the options available to community organisations that wish to participate
2. To outline the process to apply for an operational funding grant for the three year period commencing July 2017

Further background information regarding the current operation of NILS and the future direction can be found in two recent discussion papers prepared by Good Shepherd Microfinance

[Strengthening NILS Discussion Paper 1: Understand and Explore](#)

[Strengthening NILS Discussion Paper 2 - Assess and Decide](#)

## Strengthening NILS framework

The impact, effectiveness and long-term growth and sustainability of NILS nationally depends on many factors. The Strengthening NILS Strategy aims to ensure greater equity and increased access for clients while acknowledging the variation in the level and purpose of funding made available by state governments, which contributes to the diversity of operating models and capacity seen across and within states.

To ensure Good Shepherd Microfinance and participants in the community network have common goals and incentives, Good Shepherd Microfinance has developed a new and more holistic framework to support the Strengthening NILS strategy. The framework provides the necessary balance of short and long-term objectives, addressing client focus and impact and operational efficiency as well as individual, organisation and overall program-wide interests and impact.



The framework will form the basis for the ongoing strategic development of NILS. It will also be used to measure the impact of the program overall and the work of Good Shepherd Microfinance and community providers at local, regional, state and national levels.

## Funding context

Following a five-year commitment made in the 2015 Federal Budget, Good Shepherd Microfinance was able to offer operational funding to NILS providers for a two-year period covering 2015/16 and 2016/17.

The grant application process outlined in this paper is for the three year period beginning July 2017.

Community organisations applying for funding will be able to lodge an application until midnight April 30, 2017. All applications must be lodged via the [online grant application form](#).

Community organisations wishing to participate in the program either as a Referral Partner or unfunded Client Support Provider can apply for registration via the [online registration form](#). Good Shepherd Microfinance will respond to these applications within one month of lodgement.

Operational funding for the period will be split into two pools that align with the objectives of the Strengthening NILS strategy:

1. **Client support funding** will be allocated across 78 regions nationally according to the level of need in that region. One or more providers will be offered client reach and support funding with the aim of maximising the reach and impact of NILS for clients in each region.
2. **Loan management funding** will be consolidated amongst a smaller group of community organisations that can support the target service level of 24 to 48 hour turnaround for loan assessment and maintain strong capital stewardship.

If an organisation applies for funding from both pools but is not offered funding for loan management, Good Shepherd Microfinance will work with the organisation to determine how they can best continue to offer NILS and support clients.

## Client experience

### Understanding NILS clients

NILS clients are by definition on low incomes. However, to ensure the new model is as efficient and accessible as possible we need to better understand who they are and where they live. We engaged Experian, an international company specialising in data analytics and market insights, on a pro bono basis to help us better understand the NILS client.

The profiles that were developed - using data from the ABS, NILS loan data and other sources – gave us insights that will help increase reach and impact.

The analysis estimated the target group for NILS to be 4.5 million people in approximately 2 million households. Some key insights from the analysis include:

- Just over one in five Australians are in the target group for NILS
- More than half the people in the target group live outside major cities where a greater proportion of the population are living on low incomes.
- One in three people in the target group live in NSW
- Economic conditions in South Australia and Tasmania mean there is higher proportion of the population in the target group and therefore these states are overrepresented in the target group.
- More than half of the people in the target group live in the most disadvantaged postcodes.

### Meeting client expectations

Community expectations regarding the availability and responsiveness of service providers have changed significantly since NILS began in the early 1980s. Government and many community agencies offer services via multiple channels and closely monitor waiting times and waiting lists.

The 24x7 availability of fast cash loans and easy to obtain rent-to-buy contracts are a major contributor to financial distress and high levels of indebtedness. To ensure NILS is an attractive alternative, clients need timely information and support, plus importantly, an acceptable wait for the item or service they need.

A consistent client experience is an important objective for NILS and can be achieved through:

- Setting and achieving consistent target service levels
- Standardising the information clients need and making this available through different channels (from websites, via email or text, hardcopy)
- Adapting service models to give clients confidence in the outcome earlier, so that they persevere with the process
- Working with staff on changes that will increase flexibility and responsiveness, supporting clients over the phone, using mobile phones and devices to communicate and share documents
- Supporting providers to work collaboratively within a region to ensure prospective clients can get timely information and support
- Using an online form to collect and submit data, and ensuring staff are available to assess loan applications within 24 hours for Loan Providers with large loan books and 48 for others.

### The standard NILS loan

A NILS loan can be life-changing for some clients, yet not everyone living on a low income has the same opportunity to access NILS because of local variation in policies and practices. At present, there is marked variation in acceptable loan purpose and methods of assessing the client's ability to service a

loan.

Our aim is to achieve a consistent approach that:

1. Broadens the range of acceptable loan purposes
2. Ensures that the program is meeting the needs of vulnerable people while continuing to lend responsibly.
3. Ensures greater equity and access to NILS for clients, and
4. Enables clearer more effective promotion and awareness-raising activities.

There are some exciting new features that have been informed by consultations with clients and providers. The key features of the standard NILS loan will be:

- Loan amount up to \$1,500 with no minimum; ensuring the amount borrowed is based on the client's budget and ability to repay a loan.
- A minimum budget surplus (to be confirmed) after fixed expenses (eg: rent, utilities, debt repayments, and other financial commitments) and NILS loan repayment will be required for loan approval.
- Borrowers will be able to access a second NILS loan, after repaying at least 50% of the first loan, providing the total amount outstanding does not exceed \$1,500 and the client has the ability to repay both loans.<sup>1</sup>
- Residential history of three months in the same address, or 12 months in a previous address, is required unless there are extenuating circumstances such as family violence or a need for transitional housing.
- The current list of approved loan purposes will be extended to include items such as vehicle registration, mobile phones, health related items/expenses, education expenses such as school uniforms and items necessary to gain employment.
- Excluded loan purposes still include living expenses, tenancy bond, second hand cars, second hand electrical items, insurance premiums, fines or penalties and outbound international airfares.
- The low income eligibility criteria will include people living on a low income (\$45,000 net p.a. for an individual and \$60,000 net p.a. for joint applicants and/or applicants with dependants).

'Specialist' NILS Loan Providers working with people who have experienced family violence will have a \$2,000 loan limit.

Clients will sign a loan agreement and give consent for Centrepay deductions *conditional on approval of the loan* prior to submission of the loan application. This removes the requirement for the client to attend (or otherwise) to sign the agreement after the loan has been approved and will avoid the associated delay in disbursing the loan funds.

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<sup>1</sup> Applicable for loans approved using new loan management system.

# New systems and processes

## Shared infrastructure

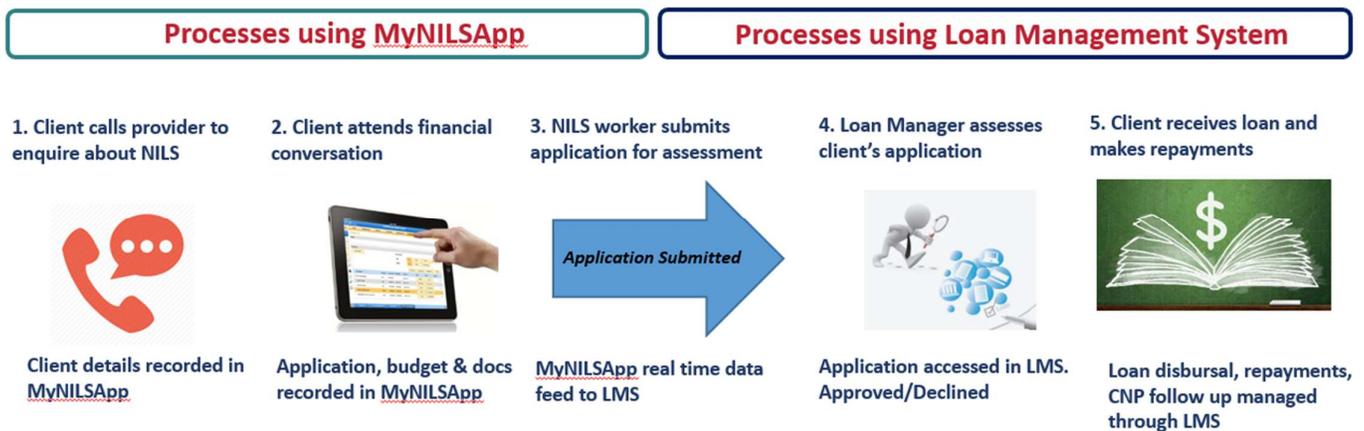
One of the main themes that emerged from the NILS Strategic Working Groups in April 2016 was the need for improved technology to support NILS workers and NILS providers.

In response, Good Shepherd Microfinance has been developing two inter-related shared technology platforms which will make a significant difference to the administration requirements of NILS. The two platforms include:

- An online application tool for NILS workers – MyNILSApp
- A new Loan Management System (LMS) to replace NILS4

An important benefit of the shared infrastructure is that providers will no longer be required to prepare and submit reports and data to Good Shepherd Microfinance every half year.

Figure 1: Shared infrastructure loan process



## MyNILSApp

*MyNILSApp* will provide a paperless and simple way for microfinance workers to record enquiries, prepare loan applications and submit them for assessment. In addition, it will:

- Facilitate communication between the Client Support and Loan Provider;
- Enable one-time entry of data and upload of supporting documentation;
- Guide the budget/interview process and enable the microfinance worker to add comments; and
- Improve the data quality of applications.

*MyNILSApp* will only be available to microfinance workers nominated by registered/accredited providers. Internet access and a desktop computer or tablet will be required to access *MyNILSApp*, enabling remote access for workers who see clients at different locations.

*MyNILSApp* will complement the financial conversation that NILS workers and volunteers have with their clients. It does not in any way replace that conversation – it simply provides a tool to collect all the information required to apply for a NILS loan. We understand that often there is more to a client story than information in their loan application. These details can be captured in the *MyNILSApp* so that Loan Managers can consider exceptional client circumstances in the loan assessment.

## Loan Management System

The Loan Management System provides those managing loans with a mature and capable tool that is used by many major organisations. This is an off-the-shelf loan management software product configured to meet the needs of NILS and the NILS provider network. The new Loan Management System will allow Loan Managers to confidently examine all information in an application, approve, decline or request more information from applications, record disbursements and repayments, follow up on CNPs, write off loans and complete reporting.

A trained worker will be able to:

- check the full loan history details of their own clients
- check the status (limited visibility for privacy) of any past or current loans from other loan providers
- approve or decline loan applications
- upload bulk imports from Centrepay
- generate and send letters and emails
- use work queues to identify when new applications are received and awaiting assessment
- manage disbursements
- monitor CNPs
- manage loan write-offs

Administrators will be able to:

- add and remove users, and set permission levels for staff in their organisations based on roles
- generate automated and bespoke reports
- view data ONLY for their own organisation's loan book

As the data is centrally hosted, six-monthly reporting is not required.

Our team will work with you to ensure that the Loan Management System is correctly installed and that adequate training is provided. We will also provide ongoing helpdesk and user support.

## Security and data privacy

Our top priority is to ensure the shared technology platforms maintain the highest standards of security and privacy to safeguard all of our clients' personal information.

MyNILSApp will be cloud based with the supporting servers housed within a secure, resilient and efficient data centre to deliver maximum availability. The data centres will be hosted by an external IT infrastructure company and incorporate the latest in cooling, power redundancy, generators, fire suppression, communications and security. The security standards meet ISO27001 AND ISO9001 specifications.

The Loan Management System has inbuilt data security that manages the privacy of information at a user level. Each user will belong to a user group, and each user group will be set up to restrict visibility to their own set of clients and accounts. Personal client information cannot be accessed by other providers in the network. Limited staff at Good Shepherd Microfinance will have access to identifiable client information only when supporting a loan manager or to conduct individual file audits. All DEX reporting submissions are made using de-identified data.

## Service delivery

Community providers participating in the NILS program do so through several different operating models discussed below. Within these operating models, there are two main activities: client support and loan management.

1. **Client support** is client and community facing. This work helps raise awareness of NILS within communities, respond to enquiries and then assists eligible people to apply for a NILS loan. Much of the value for clients comes from the supportive ‘financial conversation’ that occurs as the worker helps the client assess their financial situation and to prepare the budget needed to apply for a loan, and by facilitating the client’s access to other services. As the needs and circumstances of clients vary, so does the time involved in supporting individual clients.
2. **Loan management** includes the work associated with assessing each loan application; arranging the disbursement of loan funds; communicating with clients through the term of the loan including follow-up when a repayment is missed; and administration associated with repayments and management of the loan book. Loan management funding will be allocated based on the size of the target group at a state level and the anticipated number of new loans managed per year.

## Operating Models

The operating model options allow provider organisations to focus solely on client support, as a Client Support Provider, or to perform all activities, as a Loan Provider.

Applicants planning to participate in the Collaborative Network model do not need to make formal or informal arrangements with other providers prior to applying for funding.

Under the Strengthening NILS Strategy, there are five operating options available to community service organisations. A description of each and the activities each model performs is provided in Table 1.

*Table 1: NILS provider operating models*

	<b>CLIENT SUPPORT</b>		
Loan process/steps	Raise awareness	Respond to enquiries	Support clients to apply
<b>1. Client Support Provider</b>	<ul style="list-style-type: none"> <li>• Supports clients in one or more regions</li> <li>• Submits loan applications to a Loan Provider for assessment and management</li> <li>• Operational funding available for client support only</li> <li>• Dedicated microfinance roles or ‘in the toolkit’ of staff working in other programs</li> </ul>		

Loan Provider options

	CLIENT SUPPORT			LOAN MANAGEMENT			
Loan process/steps	Raise awareness	Respond to enquiries	Support clients to apply	Assess loan applications	Establish the loan	Communicate and follow-up with clients	Administer the loan book
<b>2. Collaborative Network Loan Provider</b>	<ul style="list-style-type: none"> <li>• Supports clients from one or more regions and manages the loans (internal staff)</li> <li>• Assesses and manages loans submitted by Client Support Providers (external organisations)</li> <li>• Operational funding available from both pools (ie client support and loan management)</li> </ul>						
<b>3. Hub-and-spoke Loan Provider</b>	<ul style="list-style-type: none"> <li>• Assesses and manages loans submitted by Delivery Partners in one or more regions (external organisations, generally small community agencies)</li> <li>• Supports and engages with Delivery Partners</li> <li>• May also support clients from one or more regions and manage the loans (internal staff)</li> <li>• Operational funding available from both pools (ie client support and loan management)</li> </ul>						
<b>4. Centralised Loan Provider</b> <b>5. Stand-alone Loan Provider</b>	<ul style="list-style-type: none"> <li>• Supports clients from one or more regions and manages the loans (internal staff)</li> <li>• Operational funding available from both pools (ie client support and loan management)</li> </ul>						

Alternatively, organisations can participate in the NILS community network as a Referral Partner. Referral Partners refer prospective borrowers to a NILS provider. Referral partners have access to Good Shepherd Microfinance's online training platform, receive communication and are welcome to participate in events such as conferences and forums. Client Support Providers can extend their reach by connecting with community organisations who are interested in becoming Referral Partners.

## Requirements for participation

### **New Participation Agreement with Good Shepherd Microfinance**

The participation agreement will be replaced with a new Master Participation Agreement. In addition, Service Agreements will be added depending upon the function(s) the organisation is fulfilling.

Drafts of the new agreements are available from the 'Strengthening NILS Grant Application' webpage.

### **Reaccreditation of Loan Providers and registration of Client Support Providers**

Loan Providers will need to meet accreditation standards relating to governance and capital stewardship. Accreditation involves a comprehensive review of policies and practices.

Client Support Providers do not need to be accredited; a simpler registration against key criteria is all that will be required.

As part of the grant application, all providers will be asked to provide the following documentation:

- Public indemnity insurance \$10,000,000 (Certificate of Currency)
- Professional indemnity insurance \$5,000,000 (Certificate of Currency)
- Certificate of Incorporation of the legal entity or Australian Company Number (ACN)
- Australian Business Number (ABN) of the legal entity

To maintain accreditation into the future, Loan Providers will be required to participate in a Good Shepherd Microfinance quality review of their NILS program and their governance structures every three years. This will include a regular review of policies and procedures, an audit of loan files and will focus on the quality of the loan book and client experience. Providers will be required to maintain CNP and write off rates close to the 7% and 4% targets.

### **Changes to capital access requirements for Loan Managers**

Capital stewardship will remain a focus. Good Shepherd Microfinance and the network will continue to work with NAB to ensure the capital requirements meet the needs of the network and that the capital remains available for NILS into the future.

For larger Loan book managers a new NAB Capital Letter of Offer will be issued when capital reaches \$500,000. With a larger loan book comes additional responsibilities for good governance. The requirements for large loans books are that:

- NAB to be granted security over the overdraft facility (NILS loan book) by signing a Specific Security Agreement to this effect (so that in the event of the legal entity's insolvency, loan repayments continue to be made against NAB capital to ensure capital remains available for NILS)
- Reporting of management accounts, including a balance sheet and profit and loss, every 6 months
- Provision of a Compliance Certificate providing comfort that the organisation remains solvent and achieving its own KPI's. This will be required every six months with a copy of the management accounts.

## Transition arrangements

Implementation of the Strengthening NILS strategy will be managed jointly and carefully between providers and Good Shepherd Microfinance to ensure continuity of service for clients and minimise disruption to providers. While the standard NILS loan will be introduced on 1 July 2017, Good Shepherd Microfinance will work with providers individually to determine transition arrangements for the shared infrastructure and collaborative network model.

Each NILS provider will agree a specific transition date with Good Shepherd Microfinance. Transition dates will be staggered given the large number of organisations involved and the coordination needed. We will try to accommodate programs' specific needs, wherever possible.

Loan Providers will generally be prioritised in the transition scheduling so Client Support Providers will be fully supported with loan management activities once they start submitting new loan applications.

Before the agreed transition date, providers will be funded on a pro rata basis, as per their July 2015-June 2017 funding offer. After the transition date, providers will be funded as per the new funding agreement also on a pro rata basis for the remainder of the 2017-18 year.

Should the funding offered to a provider differ from the funding applied for, Good Shepherd Microfinance will work with each provider to develop a plan for their future involvement in the NILS program.

## **Client Support Providers**

### Transition tasks

- Complete registration
- Sign new participation agreement
- Adopt MyNILSApp
- Commence sending new loan applications to Loan Providers
- Make arrangements for current loan book:
  - Transfer NAB capital loan book to GSM (if applicable)
  - Manage out Other capital loan book (if applicable)

### Loan book transition

**NAB capital** - Good Shepherd Microfinance will manage out the current NAB loan book for NILS Providers becoming Client Support Providers. This will enable Client Support Providers to focus on supporting clients sooner. Once the loan book is prepared for handover (see below), Good Shepherd Microfinance will send a letter to advise all active clients that their loans are now being managed by Good Shepherd Microfinance. The NILS4 database (or other loan management system) will be transferred to Good Shepherd Microfinance, as will the NAB Bank balance and Centrelink repayments. The NAB Bank account will then be closed.

**Other capital** - As this capital is unrelated to Good Shepherd Microfinance or NAB, this capital will be managed out by the Client Support Providers until all loans are finalised. No further half yearly reports will be required following the submission of a final half yearly report that captures the final loans written from that capital. As any additional loans issued will prolong the period required to manage out the 'Other' capital loan book, future Client Support Providers are strongly encouraged to issue all loans out of any NAB capital available OR begin sending loan applications to another provider for assessment and management.

## **Loan Providers**

### Transition tasks

- Complete reaccreditation
- Sign new service agreement
- Adopt the new Loan Management System and MyNILSApp. Complete training.
- Commence managing a NILS loan book in the new Loan Management System
- Commence assessing and managing Client Support Provider loans (applicable to Collaborative Network Loan Providers only)

The few providers that have made arrangements to continue using their own technology platforms will

need to work closely with Good Shepherd Microfinance to produce a feed for the new Loan Management System. NILS4 will continue to be supported until 15 July 2018.

Loan book transition

**NAB and other capital** - The loan books of Loan Providers will be transferred into the new Loan Management System and training will be provided to at least two members of your organisation leading up to the transition date.

Good Shepherd Microfinance is committed to ensuring this process is smooth and seamless, requiring minimal effort from the NILS Provider, providing that the loan book has been kept up to date. Providers are encouraged to begin preparations now by ensuring their bank reconciliations are up to date.

## Measuring progress towards greater reach and impact

Some of the measures in the Strengthening NILS framework are directly relevant to the work of individual providers, while others reflect the combined effort of everyone involved in NILS.

The measures for the NILS program overall are outlined below and the majority of this data will be collected through the new online application tool. Providers will receive half-yearly reports with data on their performance on the measures that are applicable to their role. Some of the measures for community reach and impact will be calculated at the regional level recognising the collaborative roles providers play in raising awareness and referring clients between their services

Goals and performance standards will be discussed and agreed with all providers receiving operational funding from Good Shepherd Microfinance. We will work closely with you to understand how your NILS program is tracking against relevant measures on an annual basis. If necessary, Good Shepherd Microfinance will assist providers to identify strategies for continuous improvement and/or agree new arrangements for operational funding and performance standards.

Table 2: Overall NILS program evaluation measures

Focus area	Primary measures	Secondary measures
<b>Client experience</b>	<ul style="list-style-type: none"> <li>• Client satisfaction</li> <li>• # of clients participating in a financial conversation</li> <li>• Timelines and turnaround               <ul style="list-style-type: none"> <li>○ Time from enquiry to application submission</li> <li>○ Time from application submission to disbursement</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• % enquiries progressing to approved loans</li> <li>• % applications approved</li> <li>• % clients with access to discounted items</li> <li>• % clients with access to energy subsidies where appropriate</li> </ul>
<b>Community reach &amp; impact</b>	<ul style="list-style-type: none"> <li>• Regional reach index<sup>2</sup></li> <li>• % target group households with loan<sup>2</sup></li> <li>• # enquiries</li> <li>• # approved loans</li> </ul>	<ul style="list-style-type: none"> <li>• # unique client postcodes</li> <li>• % supported applications in which insurance is mentioned</li> <li>• % first-time borrowers</li> <li>• # loans to targeted segments</li> <li>• % clients referred to other services, providers</li> </ul>
<b>Cost-effectiveness &amp; sustainability</b>	<ul style="list-style-type: none"> <li>• Capital stewardship</li> <li>• % Currently Not Paying (# borrowers)</li> <li>• % written-off (\$ value)</li> </ul>	<ul style="list-style-type: none"> <li>• Funding per loan</li> </ul>
<b>Growth &amp; development</b>	<ul style="list-style-type: none"> <li>• NILS Provider satisfaction</li> <li>• Network participation (# orgs)</li> <li>• Operational funding (all sources)</li> <li>• Staff/volunteer participation in professional development</li> </ul>	<ul style="list-style-type: none"> <li>• Capital utilisation</li> <li>• # locations</li> <li>• # referral partners</li> <li>• # active users of web-enabled loan application system (MyNILSApp)</li> </ul>

<sup>2</sup> Calculated at regional level

## Operational funding July 2017 – June 2020

The grant application process outlined in this paper is for the three year period beginning July 2017.

The funding available from Good Shepherd Microfinance remains at \$3.5 million per annum, as per 2015/16 and 2016/17 years. Sixty percent of this funding is available for client support and 40 percent for loan management activities. Applicants can apply for client support funding in one or more regions or both client support in one or more regions and loan management funding.

Community organisations applying for funding will be able to lodge an application until midnight April 30, 2017. All applications must be lodged via the [online grant application form](#).

Community organisations wishing to participate in the program either as a Referral Partner or unfunded Client Support Provider can apply for registration via the [online registration form](#). Good Shepherd Microfinance will respond to these applications within one month of lodgement.

Operational funding for the period will be split into two pools that align with the objectives of the Strengthening NILS strategy:

- 1. Client support funding** will be allocated across 78 regions nationally according to the level of need in that region. One or more providers will be offered client reach and support funding with the aim of maximising the reach and impact of NILS for clients in each region. Profiles for each of the 78 regions, including a map and details of the target group, is available from the 'Strengthening NILS grant application' webpage.
- 2. Loan management funding** will be consolidated amongst a smaller group of community organisations that can support the target service level of 24 to 48 hour turnaround for loan assessment and maintain strong capital stewardship.

If an organisation applies for funding from both pools but is not offered funding for loan management, Good Shepherd Microfinance will work with the organisation to determine how they can best continue to offer NILS and support clients.

## Grant application evaluation process

### Client support funding

Grant applications for funding from the client support funding pool will be assessed region by region to identify the combination of providers and service models that will deliver the greatest and most cost-effective reach and support for the NILS target group in that region.

The grant applications for all regions within each state will be evaluated by a panel of Good Shepherd Microfinance team members representing a mix of experience, skills and functions, and including the state/territory manager and a quality analyst. A representative of the relevant state or territory government department responsible for NILS will also be invited to participate.

Recommendations from the state/territory evaluation panels will be referred to the selection committee comprising senior Good Shepherd Microfinance team members and chaired by John Langmore, Deputy Chair Good Shepherd Microfinance.

Table 3: Application evaluation criteria and weighting for **client support funding**

Criteria	Weighting	Source of information
<b>Organisational capability</b> <ul style="list-style-type: none"> <li>• Links to, or provision of, complementary services</li> <li>• Governance oversight and management support</li> <li>• Organisational sustainability</li> <li>• Client focus and impact</li> <li>• Capacity to support and promote NILS</li> </ul>	20%	Part B of grant application
<b>Service proposal</b> <ul style="list-style-type: none"> <li>• Regional focus, connection</li> <li>• Feasibility</li> <li>• Availability</li> <li>• Appropriate to the size, location and profile of the target group</li> <li>• Responsive to individual client needs</li> <li>• Likely impact – reach, target segments</li> <li>• Innovation and collaboration</li> <li>• Staff capability</li> </ul>	50%	Part C of grant application
<b>Cost-effectiveness</b> <ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Efficiency</li> </ul>	10%	Part D of grant application
<b>Past performance in the NILS program</b> <ul style="list-style-type: none"> <li>• Growth</li> <li>• Continuous improvement</li> <li>• Compliance with guidelines</li> <li>• Set and achieved realistic goals</li> </ul>	20%	Good Shepherd Microfinance data / records and Part E of grant application

Grant applications will be evaluated on a region by region basis. Detailed information must be provided for each region in which funding is applied for.

### Loan management funding

Grant applications for funding from the loan provider funding pool will be assessed to identify the combination of providers that will deliver the best client experience and highest standard of capital stewardship. In selecting Loan Providers consideration will be given to ensuring a combination of specialists and generalists and the geographic/state distribution to facilitate collaboration with the diverse range of organisations participating in NILS.

The grant applications will be evaluated by a panel comprising representatives of Good Shepherd Microfinance, NAB and state government department(s).

Recommendations from the evaluation panel will be referred to the selection committee comprising senior Good Shepherd Microfinance staff, NAB representative, and chaired by John Langmore, Deputy Chair Good Shepherd Microfinance.

Table 4: Application evaluation criteria and weighting for **loan management funding**

Criteria	Weighting	Source of information
<b>Organisational capability</b> <ul style="list-style-type: none"> <li>Governance oversight and management support</li> <li>Financial and administrative capability</li> <li>Organisational sustainability</li> <li>Client focus and impact</li> <li>Capacity to support and promote NILS</li> </ul>	30%	Part B of grant application Referee reports
<b>Service proposal</b> <ul style="list-style-type: none"> <li>Feasibility</li> <li>Availability and likely service level</li> <li>Expertise with particular segment(s) of the target group for NILS</li> <li>Quality focus, capital stewardship practices</li> <li>Management of risk – particularly key person risk</li> <li>Appropriate to the size, location and profile of the expected client group</li> <li>Responsive to individual client needs</li> <li>Innovation and collaboration</li> <li>Staff capability</li> </ul>	30%	Part C of grant application
<b>Cost-effectiveness</b> <ul style="list-style-type: none"> <li>Sustainability</li> <li>Efficiency</li> </ul>	10%	Part D of grant application
<b>Past performance in the NILS program</b> <ul style="list-style-type: none"> <li>Capital stewardship – currently not paying and write-off rates in past two years</li> <li>Continuous improvement</li> <li>Compliance with guidelines</li> <li>Set and achieve realistic goals</li> </ul>	30%	Good Shepherd Microfinance data & records

## Timeline for funding outcomes and transitional funding arrangements

All grant applications will be evaluated and selection completed during May 2017, with funding offers made to successful applicants by May 31, 2017.

Transition arrangements and dates will be negotiated with each provider, with the aim of completing the transition process during 2017. Transition arrangements include preparation for use of the shared information system infrastructure (MyNILSApp for all providers and loan management system for loan providers). For providers not funded for loan management, arrangements will also include transition of outstanding loans written with capital from National Australia Bank to Good Shepherd Microfinance.

### Questions from applicants before submissions close

Senior managers from applicant organisations may seek clarification on any aspect of the service specification, selection process, draft agreements or any other documentation made available by Good Shepherd Microfinance until 5pm on Friday, April 21. All requests for clarification must be received in writing and directed to [nilsgrants@gsmicrofinance.org.au](mailto:nilsgrants@gsmicrofinance.org.au). Good Shepherd Microfinance will publish the questions and responses to any requests on the webpage at [nilsgrants@gsmicrofinance.org.au](mailto:nilsgrants@gsmicrofinance.org.au) within three working days of receipt.

To ensure the probity of the grant application process, individual Good Shepherd Microfinance team members will not be able respond to direct requests for information (verbally or in writing) during the grant application process.

## Funding available

Table 5: Operational funding available

Funding Region	Target Group (# people, unweighted)	Client Support Funding (weighted for remoteness)	Loan Management Funding	Total Funding
<b>Australian Capital Territory</b>				
Australian Capital Territory	17,561	\$7,916		
<b>Australian Capital Territory Total</b>	<b>17,561</b>	<b>\$7,916</b>	<b>\$5,277</b>	<b>\$13,193</b>
<b>Northern Territory</b>				
Northern NT	47,728	\$29,317		
Central Australia region	23,482	\$15,498		
Darwin Urban Region	7,605	\$3,505		
<b>Northern Territory Total</b>	<b>78,815</b>	<b>\$48,319</b>	<b>\$32,213</b>	<b>\$80,532</b>
<b>South Australia</b>				
Western Adelaide	88,469	\$39,879		
Northern Adelaide	84,157	\$37,936		
Southern Adelaide	69,507	\$31,332		
Yorke Mid North	48,292	\$22,329		
Murray Mallee	49,174	\$22,314		
Eyre Western	39,592	\$21,894		
Limestone Coast	30,111	\$13,887		
Eastern Adelaide	19,867	\$8,956		
Fleurieu Kangaroo Island	18,653	\$8,742		
Barossa Light and Lower North	17,830	\$8,037		
Far North	15,242	\$7,954		
Adelaide Hills	3,332	\$1,502		
<b>South Australia Total</b>	<b>484,226</b>	<b>\$224,763</b>	<b>\$149,842</b>	<b>\$374,605</b>
<b>Tasmania</b>				
West and North West	42,282	\$20,709		
Launceston and North East	41,106	\$19,033		
Hobart	37,058	\$16,705		
South East	29,711	\$15,667		
<b>Tasmania Total</b>	<b>150,157</b>	<b>\$72,114</b>	<b>\$48,076</b>	<b>\$120,190</b>

Funding Region	Target Group (# people, unweighted)	Client Support Funding (weighted for remoteness)	Loan Management Funding	Total Funding		
<b>Victoria</b>						
Southern Melbourne	108,381	\$48,855				
Bayside Peninsula	103,932	\$46,850				
Brimbank Melton	98,010	\$44,180				
North Eastern Melbourne	89,863	\$40,508				
Barwon	81,919	\$36,927				
Loddon	75,828	\$34,181				
Inner Gippsland	72,673	\$32,759				
Hume Moreland	71,541	\$32,249				
Wimmera South West	65,965	\$29,939				
Western Melbourne	62,644	\$28,238				
Central Highlands	55,842	\$25,172				
Goulburn	52,547	\$23,687				
Mallee	49,447	\$22,358				
Ovens Murray	45,984	\$20,728				
Outer Eastern Melbourne	43,507	\$19,612				
Outer Gippsland	39,446	\$18,498				
Inner Eastern Melbourne	14,716	\$6,634				
<b>Victoria Total</b>	<b>1,132,245</b>	<b>\$511,375</b>	<b>\$340,917</b>	<b>\$852,292</b>		
<b>Queensland</b>						
Far North Queensland	112,608	\$60,548				
Wide Bay Burnett	101,543	\$45,949				
Gold Coast and Hinterland	99,973	\$45,065				
North Queensland	74,266	\$42,539				
South West Queensland	86,881	\$41,708				
Sunshine Coast, Noosa and Gympie	74,601	\$33,628				
Moreton Bay	69,165	\$31,178				
Brisbane	67,546	\$30,467				
Ipswich	59,839	\$26,974				
Central Queensland	42,014	\$20,945				
Logan	33,878	\$15,271				
Mackay / Whitsundays	17,529	\$8,387				
Redlands	18,546	\$8,360				
<b>Queensland Total</b>	<b>858,389</b>	<b>\$411,019</b>			<b>\$274,012</b>	<b>\$685,031</b>
<b>Western Australia</b>						
Perth	139,072	\$62,693				
South West	37,270	\$16,904				

Funding Region	Target Group (# people, unweighted)	Client Support Funding (weighted for remoteness)	Loan Management Funding	Total Funding
Wheatbelt	29,811	\$14,752		
West Kimberley	18,299	\$12,373		
Peel	26,304	\$11,857		
Mid West	17,954	\$9,384		
Goldfields-Esperance	12,528	\$7,740		
East Kimberley	11,376	\$7,692		
Great Southern	16,175	\$7,291		
Gascoyne	6,857	\$4,636		
Pilbara	5,150	\$3,408		
<b>Western Australia Total</b>	<b>320,796</b>	<b>\$158,731</b>	<b>\$105,821</b>	<b>\$264,552</b>
<b>New South Wales</b>				
Hunter	219,223	\$98,820		
South Western Sydney	176,310	\$79,476		
Murrumbidgee	134,527	\$61,277		
Western NSW	123,536	\$60,003		
Western Sydney	119,910	\$54,052		
Illawarra Shoalhaven	110,978	\$50,026		
Northern NSW	94,307	\$42,511		
Central Coast	88,325	\$39,815		
New England	82,954	\$38,878		
Mid North Coast	59,651	\$26,889		
Southern NSW	50,067	\$22,569		
Nepean Blue Mountains	49,852	\$22,472		
Sydney Inner West	48,805	\$22,000		
Far West	29,113	\$16,737		
South Eastern Sydney	36,220	\$16,327		
Northern Sydney	20,094	\$9,058		
Sydney Central	10,768	\$4,854		
<b>New South Wales Total</b>	<b>1,454,640</b>	<b>\$665,763</b>	<b>\$443,842</b>	<b>\$1,109,605</b>
<b>Grand Total</b>	<b>4,496,829</b>	<b>2,100,000</b>	<b>1,400,000</b>	<b>3,500,000</b>

## Glossary

<b>Capital</b>	Loan capital from NAB or other sources. NILS is based on the concept of circular community credit.
<b>Centralised Loan Provider</b>	A NILS operating model featuring one single organisation offering NILS through multiple client support locations. The loan management is performed centrally.
<b>Client Support</b>	Client facing activities that include responding to enquiries, communicating with clients and arranging appointments, financial conversations and assisting clients to prepare a budget, gathering documentation and completing an application for assessment
<b>Client Support Provider</b>	A NILS provider that focuses on client support - reaching people in the target group and supporting clients to apply for a loan
<b>Collaborative network</b>	A new operating model enabled by modern information and communication technology. The operating model involves community organisations working together to provide end-to-end services without the need for all aspects of the work to be covered by the one organisation.
<b>Collaborative Network Loan Provider</b>	A NILS organisation that assesses and manages loans for external Client Support Providers as well as their own client support location/s.
<b>Hub-and-spoke Loan Provider</b>	A NILS organisation that has exclusive relationships with external organisations that provide client support. They assess and manage loans for these organisations as well as their own organisation.
<b>Loan Management</b>	Service and administrative activities that include loan assessment, disbursement of loan funds, setting up repayments, preparing and sending correspondence, following up clients who miss a repayment, bank reconciliation, reporting
<b>NILS Loan Provider</b>	A NILS provider that offers client support and manages loans
<b>Operational funding</b>	Funding for staff and other expenses incurred in delivering services. Good Shepherd Microfinance and some state governments make operational funding available to NILS providers
<b>Reach Index</b>	<p>A comparative measure developed to compare the extent to which the target group has access to NILS. The average for Australia is 100. Regions or states with an index greater than 100 have relatively stronger reach.</p> <p>The reach index is calculated by dividing % of clients in a region by the % of the target group living in that region, and multiplying by 100.</p>
<b>Referral partner</b>	An organisation (or individual) working with people living on low incomes that refers prospective borrowers to a NILS provider. Referral partners have access to Good Shepherd Microfinance's online training platform, receive communication and are welcome to participate in events such as conferences and forums.

<b>Region</b>	A group of LGAs that are recognised by state governments as having common characteristics or natural connection.
<b>Stand-alone Loan Provider</b>	A NILS operating model featuring a single organisation offering NILS from one location. This model also performs its own loan management.
<b>Stand-alone operating model</b>	Single organisation that manages all aspects of NILS with one loan book and one main location, although they may have additional outreach sites operating for limited times.
<b>Target group or population</b>	An estimate of the number, location and socio-demographic characteristics of the people eligible for NILS and likely to have contact with community agencies