



GOOD SHEPHERD MICROFINANCE
ANNUAL REPORT 2011 - 2012



Good Shepherd
Microfinance

PARTNERSHIP INNOVATIVE
SOLUTIONS ASPIRATIONS INDIGENOUS



VISION:

Fullness of life for all people, living in connected resilient communities.

PURPOSE:

To enable economic wellbeing and resilience for people with low incomes, especially women and girls.

VALUES:

Human dignity, respect, social justice, audacity, compassion and reconciliation.

NEEDS WE MEET:

Financial services, asset building, security, inclusion, resilience, human connectedness.

CHAIRMAN'S REPORT

CHRISTINE NIXON, APM

The first Good Shepherd Sisters came to Australia in 1863 during the gold rush in Victoria to work with disadvantaged women and girls on the fringes of society.

Now, as then, Good Shepherd Microfinance works mainly with women and girls and their families to realise the fullness of life. An essential element of this is economic participation and inclusion.

One in eight families in Australia live in poverty, despite much cited relative aggregate prosperity. Both a cause and a consequence of this is the fact that over three million adults, over 17%, are completely or severely financially excluded and do not have a transaction account, access to small credit or insurance.

Good Shepherd Microfinance was created to enable dedicated focus and to increase reach and impact following the growth and success of the microfinance programs of Good Shepherd Youth & Family Service over the past 31 years.

Australia's largest microfinance organisation, Good Shepherd Microfinance provides alternative people-centred financial services to people on low incomes who are excluded from mainstream banking.

Programs have already reached over 100,000 people and families through 579 sites in partnership with 258 accredited community organisations.

In July 2012 the Board was established with the appointment of six highly capable directors, bringing considerable experience, wisdom and diversity of views. The first few months of Board activity have focused on strategic direction, governance principles and supporting the CEO in organisational development. The focus over the coming year will build on this foundation in the journey to realise social and economic impact.

In April Adam Mooney was appointed inaugural CEO, bringing strong leadership and strategic skills and experience in both the community and corporate sectors. He, the executive and the whole team have high enthusiasm, positive energy and see many opportunities ahead to build on foundations.



Good Shepherd Microfinance enjoys strong relationships with partners, NAB and the Federal Government. The commitment and support of various state governments and other corporate and individual stakeholders is also highly valued.

Together, much can and will be achieved in the work to build innovative sustainable financial services that embody and enable human dignity, social justice, compassion, respect and reconciliation.

A handwritten signature in black ink, appearing to read 'C Nixon'. The signature is fluid and cursive, written on a white background.

MS CHRISTINE NIXON, APM

Ms Christine Nixon is the inaugural chairman of Good Shepherd Microfinance.

Ms Nixon comes to the organisation with a strong history of building justice and equality for communities. Ms Nixon has close connections with New South Wales, being the daughter of a senior New South Wales police officer, and began her policing career with the New South Wales Police Force, rising to the rank of Assistant Commissioner. Subsequently, Ms Nixon was appointed Chief Commissioner of Victoria Police from 2001 to 2009 and Chair of the Victorian Bushfire Authority from 2009 to 2010.

Ms Nixon has been awarded the Australian Police Medal, the National Medal, the Centenary Medal and the New South Wales Police Medal. In 2011 Ms Nixon published her memoirs in her book entitled ***Fair Cop***. The book was launched by Prime Minister, Julia Gillard.

BOARD MEMBERS

PROFESSOR JOHN LANGMORE , DEPUTY CHAIR



Professor John Langmore is a political economist and author in the School of Social and Political Sciences in the University of Melbourne. Between

1963 and 1976 he worked in Papua New Guinea as a public servant and university lecturer where he led the preparation of the first national plan. Between 1976 and 1984 he was an economic advisor to the Australian Labor Party and proposed the negotiation of the Accord. In 1984 he was elected as the Member for Fraser in the House of Representatives and was re-elected four times. One of his achievements was to chair the committee that planned the adoption of the first comprehensive committee system for the House of Representatives. He retired from parliament in 1996 to become Director of the UN Division for Social Policy and Development in New York for five years and then Representative of the International Labour Organization to the United Nations. He was responsible for the organisation of the 24th special session of the General Assembly which was the first world conference to agree on the global target of halving serious poverty by 2015.

He has published over 30 chapters in books, over 50 articles in journals and extensively in the media. His most recent books have been ***Dealing with America: the UN, the US and Australia*** and ***To Firmer Ground: Restoring Hope in Australia***.

IAN CLYDE

Ian Clyde is a lawyer whose career began with one of Australia's national law firms, Mr Clyde has worked in government legal and policy roles since the early 1990s.



Early in his government career, he worked as a senior lawyer for the Human Rights and Equal Opportunity Commission (now the Australian Human Rights Commission), advising on discrimination and human rights law. He acted as counsel assisting the Commission, including the Inquiry into the "Stolen Generations". In 2001 Mr Clyde joined Consumer Affairs Victoria where he worked on national consumer credit policy and regulation, eventually leading him to chair the Uniform Consumer Credit Code Management Committee. During this period, Mr Clyde spearheaded a major review of consumer credit policy and regulation that considered No Interest and Low Interest Loans as viable alternatives to commercial small amount short-term credit.

VINITA GODINHO



After more than two decades experience as a banker in India and Melbourne, Ms Godinho is currently completing a PhD exploring the 'Understanding of money in Indigenous Australia

and implications for the design of culturally appropriate banking products and services' at RMIT University, Melbourne. She consults to a range of not-for-profits on project management, risk and governance frameworks and Indigenous financial inclusion. While at ANZ, Ms Godinho was the volunteer Project Manager with First Nations Foundation responsible for the rollout of the innovative Indigenous financial capability program MyMoola, in Shepparton, Victoria and was subsequently seconded full-time to Reconciliation Australia, to establish and drive the Indigenous Financial Services Network (IFSN).

SHELLEY JONES



Ms Jones has an extensive history in working in Human Resources leadership in a range of industries in Asia and the Pacific. She recently completed a three-year role as General Manager HR for Ok Tedi Mining Limited in

Papua New Guinea, where she was responsible for managing national workforces. Most recently Ms Jones has been as an Official Visitor at Long Bay Gaol with the NSW Department of Justice Corrective Services. She has also accepted a role with AusAID and has been placed on their Australian Civilian Corps Register. She will be involved in projects assisting countries recovering from natural disaster and conflict in order to strengthen governance, facilitate early recovery processes and prepare the frameworks for longer-term development.

DENICE PITT



Ms Pitt has played a significant role in the growth and success of numerous companies through leadership positions including Chief Executive

Officer (CEO), Vice President of Operations and National Customer Service Manager. She has worked in a range of industries including telecommunications, outsourcing and general contact centre industries and now education. Her work experience has included four years with Link Telecommunications in a variety of senior roles. Leading on

from this Ms Pitt worked at Optus Communications where she was ultimately responsible for several national call centres with over 800 staff servicing residential and business customers. After 12 years at UCMS, a global provider of customer management and billing solutions, Ms Pitt is now working as CEO of Swinburne Online. Ms Pitt holds a Masters in Business Management from RMIT University.

THERESE RYAN

Ms Ryan is the incoming chair of Good Shepherd Youth & Family Services. She is a non-executive director of Fitted for Work, Victorian Managed Insurance Authority and VicForests. Ms Ryan is a lawyer. She recently retired from General Motors, where she was Vice President General Counsel and a member of the Executive leadership team outside North Australia and Mexico.



CHIEF EXECUTIVE OFFICER'S REPORT

ADAM MOONEY

In Australia today demand far outstrips supply of appropriate financial services for people on low incomes and those financially excluded.

Banks around the world are generally plateauing or retreating from voluntary financial inclusion commitments, driven by a sense of inevitable banking and consumer protection regulation from 2013. Most banks have refocused away from increasing and improving access to financial services towards building capacity and community education through financial literacy to change customer behaviour.

Exploitative fringe lenders, whose only business model is to perpetually entangle vulnerable clients, have flourished and capitalised on the rise in financial exclusion.

Today a permanent market has emerged for alternative people-centred financial services, estimated in Australia to be around three million adults and growing.

It is against this backdrop that Good Shepherd Microfinance has been established to build on what has already been achieved.

Good Shepherd Microfinance is in a good position. The Network of accredited providers across Australia and now in New Zealand is delivering well-governed, locally tailored and complementary programs.

This year, significant effort has been applied to establishing governance and reporting processes for this new organisation.

New funding agreements with the Federal Government's Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) (NILS, StepUP, Aboriginal financial inclusion, energy inclusion), NAB (NILS, StepUP, Good Money), the Victorian Government (NILS, Good Money) and the Queensland Government (NILS) have all been put in place at a total value of \$80 million over three years.

A new funding relationship with the ACT Government, relating to NILS, is also being established. Work on new partnerships and business development has also begun.

Good progress has been made towards all of our milestones and contracted commitments:

- 21,114 no interest loans were written in 2011/12 and growth is expected to continue. \$5 million in grants made to almost all 258 provider agencies in June 2012 are being applied to continue and extend lending, with the balance of \$1.7 million to be paid in February 2013.
- StepUP, low interest loans to \$3,000, is also performing well with 1,612 loans written in the year and improving information and connectedness of the network by being the first program to go live with the new Customer Relationship Management (CRM) system, named 'SHORN'.
- The AddsUP matched savings program is being refreshed to reach more people and develop savings behaviours.

Significant progress has also been made in developing new energy inclusion programs, for people on low incomes to save money by transitioning to energy efficient appliances through a NILS loan and a subsidy, in partnership with the Federal Government.

The first Good Money hub opened in Geelong in April 2012 and new locations will open later in 2012 in Collingwood and Dandenong.

Good Shepherd Microfinance's research and evaluation agenda is also taking shape. Program logics have been developed for all programs, enabling objective evaluation. RMIT University is evaluating Good Money. The Centre for Social Impact is evaluating StepUP and NILS.

Good progress is also being made on the dedicated research agenda with published research expected in 2013 on: mapping our program locations with location data from financial exclusion research; the impact of financial conversations; the social return on investment (SROI) on the top five NILS loan purposes, and; portfolio quality and arrears management.

Good Shepherd Microfinance visited New Zealand in June 2012 to learn more about how to realise social and financial inclusion and to consider possible concepts for commencing microfinance activities in New Zealand involving Good Shepherd.

Looking ahead, a remote financial inclusion strategy will be implemented in four priority regions, building on the considerable NILS footprint, extending NILS to more Aboriginal communities in the coming year. Through the new energy inclusion programs, an online energy efficient appliance buying service is currently being developed. Plans are also in place to offer a NILS subsidy program, to enable people on low incomes to afford energy efficient appliances. Good Shepherd Microfinance will continue to grow the NILS, StepUP, AddsUP programs and Good Money community finance stores.

Much has been achieved since the establishment of Good Shepherd Microfinance by a great team including the board and staff. Underpinning this work, and guiding future efforts is the knowledge that consumers are not waiting for new banking products. They seek alternative innovative, agile and trusted providers that understand the local market and deliver safe, reliable and effective products - and they are happy and expect to pay for them.



STRATEGIC PRIORITIES

The strategic priorities of Good Shepherd Microfinance are to:

- Reduce poverty through inclusive, effective and appropriate financial services (consumer microfinance).
- Contribute to the creation of fair financial systems contributing to and influencing policy development.
- Develop social enterprises, economic growth and employment through financial inclusion (economic and enterprise development).

OBJECTIVES	KEY STRATEGIES	2013 - 2018 GOALS
Community-led	<ul style="list-style-type: none"> a) Client driven - Support clients to define their own economic wellbeing and then apply individual and community strengths to realise that wellbeing b) Develop, value and grow provider network - Consult and support to deliver products, services and resources that are effective, efficient and in demand c) Voice - positively influence financial system reform enabling equity, access and economic inclusion (as defined by clients and provider network) 	<p>Satisfied network: Over 80 per cent say 'client expectation was exceeded or met'</p>
Reach	<ul style="list-style-type: none"> a) Client focus - provide alternative people-centred financial services to large numbers of people b) Strong footprint - increase physical locations (our own and providers) and virtual footprint (awareness) through marketing and communications c) Sustainable offerings - Provide a range of no-cost, break even and self-sustaining programs and clearly define target market criteria and channels d) Consolidate and grow product range - Source and deliver essential products and programs - lending, saving, transacting, insurance, microenterprise, asset building e) Innovate, especially through technology - appropriately tailor delivery, marketing and referrals, by leveraging digital and financial inclusion strategies with partners 	<p>Programs reach over 1 million people</p>
Impact	<ul style="list-style-type: none"> a) Measure and communicate how activities contribute to client economic mobility and wellbeing b) Partner with research centres to jointly undertake impact assessment enabling learning, continual improvement and shared knowledge c) Examine and share impact with reference to health, employment, income generation and family wellbeing d) Evaluate programs - against intended outcomes and considering most significant changes related with inclusion 	<p>Increased economic mobility (in 2 years)</p>
Inform	<ul style="list-style-type: none"> a) Understand financial inclusion - define financial inclusion continuum from financial crisis to financial resilience, clear pathways and programs b) Shared learning - partner with others to establish economic inclusion cooperative research c) Understand and share drivers of social inclusion, and interrelationships with economic inclusion d) Engage and influence key actors from all sectors to enable economic inclusion - targeted messaging, media, campaigns, seminars, financial inclusion action plans 	<p>'Economic inclusion' - term is understood and key actors play their role</p>
Strength	<ul style="list-style-type: none"> a) People - attract, develop and retain talented team with high capacity in social justice, economic development and creative community engagement b) Financial - expand funding through partnerships, donations, sponsorship and self-sustaining programs - partners are diverse, engaged and value-aligned c) Governance - Board, executive and staff focused on operational program excellence, financial stewardship, ethics, social policy, accountability and organisational development d) Relationships - Build and maintain relationships that are mutually beneficial and significantly contribute to our vision and purpose and are aligned with our values 	<p>Broad funding base - sustainable and growing</p>



STRATEGIC PRIORITY 1: POVERTY REDUCTION NO INTEREST LOAN SCHEME (NILS)

NILS makes a considerable difference to economic participation for individuals and families living on low incomes.

With our partnerships growing to 258 accredited NILS community partners across 579 sites in Australia, 2011/2012 represented a period of reflection, consolidation and sustainability.

We seek to reduce poverty through increased financial literacy, increased asset building and supporting our clients to reduce debt and consolidate this through savings behaviours.

As we progress we hope to reflect our strategic priorities of fair financial systems and economic development, in addition to reducing poverty, through increasing access to utility benefits and subsidies; decreasing people's exposure to payday lending; increasing positive engagement with banks; enhancing money management; providing a range of affordable and accessible credit options and providing accessible and appropriate home, content and life insurance options.

We have attracted a cohesive and connected National Network of NILS providers by providing training through state forums and have expanded our quality and development team to provide greater support to the Network and consolidate our collected knowledge. Other key outcomes include:

- Issuing over \$5 million in grants to NILS providers for program operations.
- The development of a new NILS logo and marketing materials.
- The development and delivery of customised training to suit the needs of staff in delivering NILS.

- The development of the new Good Shepherd Microfinance website, offering clear and concise information on how the process of NILS works and how borrowers can access their local provider.
- The development of the Microfinance Portal, providing immediate access to resources, network information and practical tools for NILS.

The 2012 National NILS Conference, held in June 2012, '**Sustaining the Future**' challenged over 400 delegates from around Australia to consider how we strengthen the sustainability of NILS through better relationships, stewardship, volunteering and drawing new ideas and solutions from collective wisdom.

FINANCIAL YEAR	2006	2007	2008	2009	2010	2011	2012
Total Loans (\$m)	2.8	3.0	4.1	5.6	8.8	13.2	18.1
Loans written	3,895	4,368	5,557	6,632	10,095	15,266	21,114

Data shows five-fold increase in loan numbers from 2006 to 2012.

Since 1981, in over 75,000 cases, the NILS Network has provided the opportunity to support borrowers to help sustain their future.

In dollar terms the NILS Network loaned \$2.8 million in 2006 growing to a total amount of over \$18 million in 2012.

NILS borrower demographics include:

- 70% of borrowers are women.
- 21% of borrowers identify as Indigenous Australians.

CASE STUDY

GOOD SHEPHERD MICROFINANCE NO INTEREST LOAN SCHEME

Almost three million, or 17.2% of Australians, are now either fully or severely financially excluded from affordable financial services.

Good Shepherd Microfinance was established to continue growing the microfinance programs started in Victoria 31 years ago. The programs, including the No Interest Loan Scheme (NILS), are delivered to low income Australians unable to access credit for everyday items by accredited agencies across Australia.

Shae Allen is one of the 14,780 Australian women who accessed a NILS loan in 2011/12. She found out about the scheme through the Thornbury Women's Neighbourhood House in Victoria.

A sole parent, Ms Allen has a five-year-old daughter. She rents a house on her own and while she receives a small amount of money from her former partner and the government, she is on a low income.

Her immediate need, met through the NILS program, was for a washing machine to replace a 10 year-old machine which had worn out, as well as a television. The impact the loan has had on her life has been positive.

For her, microfinance, and certainly the NILS program, is really beneficial. She would like to see it accessed more widely.

As she says: "I know that there are a lot of people out there like me who can't necessarily afford a new washing machine at the drop of a hat. It's a stress-free and easy way of accessing what I needed."

Like the other 21,113 loans drawn in 2012 by low income Australian women and men, Shae Allen pays the loan off in small amounts each week. She has found the system manageable and confidence boosting.

"I think the model of NILS, of circular community credit, is a different and innovative model of credit. Having the opportunity to access this loan, and do it in a stress free, comfortable and empowering manner has definitely had an economic impact as well as affecting my wellbeing. Most of my income is accounted for each week. I don't, at the moment, save anything, which is pretty hard. And it can be a bit depressing as well."

For Shae Allen, like all Australians, she has many goals and dreams about what she would like to do in the future.

"NILS has enabled me to keep my head above water and stay on top of things and access quality equipment for my house that would have otherwise been far more difficult to access," she says.





STRATEGIC PRIORITY 1: POVERTY REDUCTION

STEPUP

With the celebration in 2012 of 5,000 StepUP loans delivered to low income Australians, the program continues to respond to our strategic priority of reducing poverty through inclusive, effective and appropriate financial services.

The year represented both consolidation and achievement. Our Network connectedness was highlighted by the significant take-up of the Customer Relationship Management (CRM) database, enabling improved sharing of information, governance and planning, and better customer service.

With the Centre for Social Impact evaluating the program, our strategy of greater operational and program excellence, with a particular focus on accountability, efficiency, effectiveness and reach, was presented to the Network during our National StepUP forum in Melbourne. The forum's theme, **'Planning for the future and best outcomes for clients'** consolidated our community-focused

programming whilst affording us an opportunity to celebrate the opening of Canberra's first StepUP location, bringing our nation-wide locations to 36 in every state and territory in Australia.

Key outcomes achieved in 2011/2012 include:

- Training delivered to all StepUP Microfinance Workers.
- A record 1,612 loans written.
- Capacity building of all StepUP Microfinance Workers to use the Good Shepherd Microfinance Portal.
- High take-up of the Good Shepherd Microfinance Customer Relationship Management (CRM) database to all StepUP Microfinance Workers.
- Development of program logic for StepUP.

Ongoing activities include:

- Bi-annual training to all StepUP Microfinance Workers.
- 24 annual site visits conducted by State Coordinators to monitor the quality and performance of each site.
- Ongoing monitoring and evaluation of site performance and quality by StepUP State Coordinators.
- Review and renewal of StepUP funding agreement on expiration of previous agreement.

FACTS AND FIGURES: StepUP Performance

	11/12 FY	10/11 FY
Enquiries	18,920	15,689
Interviews Attended	5,860	5,218
Application Sent	2,377	2,273
Approved	1,612	1,420

Half yearly (Jan - June 2012) figures from the StepUP Network:

Gender:

Female = 60%
Male = 36%
Unknown = 3%

- 1,612 loans written, reflecting a 14% increase on 2011.
- Improved efficiency: 68% of applications approved, up from 62% in 2011



STRATEGIC PRIORITY 2: FAIR FINANCIAL SYSTEMS

GOOD MONEY

The Good Money community finance stores are designed to offer safe, affordable and responsible financial services to people on low incomes who are otherwise excluded from mainstream financial services.

The stores are the first of their kind in Australia – perhaps even the world.

Through enabling customers to make responsible and sustainable financial decisions, Good Money:

- Enhances client self-esteem and identifies realistic personal financial goals.
- Connects people with other essential complementary services.
- Provides a one-stop-shop for finance, information and assistance that is safe, affordable and in the client's interest.

Over 70% of customers tell us they had used payday loans previously.

Additionally, close to 90% had never used community finance, such as NILS, StepUP or financial counselling.

Good Money aims to:

- Consolidate local community finance services such as NILS, StepUP, AddsUP and financial counselling under one roof, providing a more streamlined customer experience.
- Offers services at retail stores in prominent high street locations, providing a visible, viable and socially responsible alternative to the growing fringe and payday lending sector.
- Offers choice and treats our customers as valued consumers.

We are implementing new ways to attract customers that have previously not connected with community finance services.

Good Money has been promoted through various advertising channels, directly challenging payday lenders.

As we test, learn and refine our approach to customer service we are quickly adapting and implementing improvements. We are identifying and responding to gaps in the market and continue to work with partners to be more efficient and relevant to our customers.

By the end of 2012, we will have a further two stores operating in Dandenong and Collingwood in Victoria. These two new stores will add further points of access to whole communities that are in need of safe and affordable financial services.



VISIBLE, VIABLE, ADAPTIVE
AND AUDACIOUS,
DISCOVER WHAT MAKES
GOOD MONEY SO GOOD.

www.goodmoney.com.au

CASE STUDY

GOOD MONEY TO KEEP YOU GOING

The first of three Good Money Community Finance stores opened in Geelong in April 2012.

The concept behind Good Money is to enable customers to make informed financial decisions by assisting with savings, budget and debt management. It also provides access to small amounts of credit for various items through NILS (up to \$1,200) and StepUP (up to \$3,000).

Musician and Geelong resident, Jill Meehan (pictured), enjoyed Good Money's capacity to bring together the products and services of local support agencies and offer integrated financial assistance under the one roof on the high street.

"It has taken some financial pressure off me," Ms Meehan says.

"A lot of artists are trying to make it out there and build up a stable business. It's a relief to know when life's emergencies knock on their door, then they too now have someone to turn to who offers NILS and also affordable low interest loans up to \$3,000."

In availing of Good Money, Ms Meehan has been better equipped to balance emergencies and demands, finding a financial rhythm that has enabled her to grow her music business.

"I have been living in the Geelong region for four years. When I came here I started my business from scratch again, but I was determined to be in an area where I could see the music modalities I offered - holistic music healing, teaching music and entertaining - becoming popular. I have built a great network for myself now and things are going great," Ms Meehan reflects.

"But it wasn't easy in the beginning; my dog needed two operations in the space of three months, and prior to that I needed a car loan as the car I was driving decided to suddenly die! Good Money has made a huge difference to my life in that they have certainly kept me going," Ms Meehan said.





STRATEGIC PRIORITY 2: FAIR FINANCIAL SYSTEMS

SUBMISSION ON PAYDAY LENDING

In May 2012 Good Shepherd Microfinance and Good Shepherd Youth & Family Service collaborated on a submission to the Commonwealth's discussion paper '*Strategies for reducing reliance on high-cost, short-term, small amount lending*'.

The submission highlighted the need for people to access small amounts of credit but argued that an under-regulated fringe lending market was not the best way to fill that gap. Drawing on 31 years' experience in microfinance, the submission argued that payday loans create more financial hardship than they remedy given the exorbitant costs and hidden conditions associated with the loans.

Good Shepherd Microfinance is concerned about payday lending because of the fees and charges that borrowers are paying to access these services when there are other affordable loan services available. Through Good Shepherd Microfinance's work, there is a close connection to customers of fringe lenders who have experienced negative and often devastating financial and social consequences of these contracts on their lives.

The submission highlighted that:

- NILS and StepUP loans adhere to responsible and ethical lending practices. These products assess each applicant's capacity to repay in a way that does not result in reduced financial hardship for them. Fringe lenders also need to develop responsible and ethical lending practices.
- Through NILS and StepUP borrowers, there is firsthand experience of the negative effects of recurrent payday loans such as recurrent debt cycles for essential items such as rent and food.

The submission stated that the most effective way of protecting consumers from high cost loans is by:

- Capping the cost to consumers (interest rates and fees).
- Providing access to safer alternatives.
- Improving access to financial education.
- Ensuring people have enough money to meet their living costs.
- Regulating the payday lending sector to ensure safer lending practices.

Disclosure requirements for pay day loans should be mandatory. Information provided in disclosure statements needs to state upfront the high cost nature of the loans as an annual percentage rate. They need to state that there are safer, lower cost alternatives. Then, there needs to be information about how to access these alternatives. However, this alone is insufficient to protect consumers.

The submission maintained support for:

- A cap on costs, rates and fees.
- An increase in the provision of microfinance to assist with larger purchases.
- Increased financial counselling services and emergency relief to support low-income consumers meet their day-to-day living costs.
- Centrelink Advance Payments that can be used for larger, one-off expenses.

A full copy of the submission can be found on line:

http://goodshepherdmicrofinance.org.au/sites/default/files/GSResponse_SACCDiscussionPaperFINAL.pdf



STRATEGIC PRIORITY 2: FAIR FINANCIAL SYSTEMS

ABORIGINAL FINANCIAL INCLUSION STRATEGY

Community meetings, conversations and partnerships, in 2012, will lead to increased availability of responsible financial services in four regions in 2013 complementing community aspirations. This will underpin the early stages of Good Shepherd Microfinance's first Aboriginal Financial Inclusion Strategy.

With 21% of NILS and 9% of StepUP clients identifying themselves as Indigenous Australians, the need to enable access to safe, fair and affordable credit to Indigenous Australians across the country is evident.

In addition 43% of Aboriginal adults are completely or severely financially excluded. This is both a cause and a consequence of broader social exclusion. To build our capacity in this area we are developing a Reconciliation Action Plan (RAP) to promote strong relationships, increased respect and mutually beneficial opportunities.

Good Shepherd Microfinance's contract with FaHCSIA is to:

1. Expand the service provision of NILS to four priority areas.
2. Further enhance service provision in remote areas.
3. Write at least 600 loans.

We aim to see increased economic and social inclusion through improved career development pathways and improved health and wellbeing; responses developed for community, by community.

This work will inform the development of Good Shepherd's RAP.

To inform our strategy development and enable us to improve the provision of financial services to remote Indigenous communities, Good Shepherd Microfinance is working with key community

partners in those areas prioritised by FaHCSIA and Good Shepherd Microfinance:

1. Far North Queensland.
2. Rockhampton.
3. Darwin/Kimberley.
4. Alice Springs/APY Lands.

The outcomes from the workshops will inform the strategy for each unique area, which will have a strength-based community development focus.





STRATEGIC PRIORITY 3: ECONOMIC DEVELOPMENT DEBT DEDUCT

Debt Deduct is a pilot initiative that has been developed to provide a safe and affordable way for people to manage debt and break cycles of unaffordable credit.

It will achieve this by:

- Addressing the immediate need for debt relief through a no-interest consolidation loan of up to \$2,000.
- Increasing ongoing financial capacity and resilience through the support of a financial counsellor.

Debt Deduct loans can only be accessed through selected financial counsellors who will be able to use Debt Deduct as an option for their clients at their discretion. This ensures that these loans will be offered responsibly and appropriately and that clients will receive the right support for their debt situation.

The loans will be available to clear high cost and high risk debts such as payday loans, outstanding defaults on their credit file, appliance rentals and pawned goods.

Debt Deduct will be available at five locations by the end of 2012 – Geelong, Collingwood, Dandenong, Bendigo and Horsham. Each location will be limited to 10 loans to enable close monitoring of the effectiveness of this pilot.

Operational funding for Debt Deduct has been provided by the Victorian Government as part of their ongoing commitment of \$500,000 a year to strengthen microfinance in Victoria. Meanwhile, NAB is providing the capital for the Debt Deduct loans across the five pilot locations.

Debt Deduct is an example of microfinance, financial counselling and a bank working together to deliver an innovative response to the debt traps that cripple vulnerable individuals and families.



“A lot of our borrowers do not have any family or support networks from where they can borrow money for their urgent needs. Individuals facing economic hardship prefer not to fall into the trap of high interest bearing loans due to financial and religious reasons. In our religion – Islam – we are forbidden to give or take loans with interest. We can only access Halal (clean) loans, and NILS is Halal – it provides interest free financial assistance and empowers women through financial support.”

- Asma Siddiq, Qard Hassan Victoria



OVERVIEW

HUMAN RESOURCES

We believe in creating an organisational culture where people are valued, find meaning in their work and are supported to develop their careers and take risks. With the transfer of national microfinance business activities from Good Shepherd Youth & Family Service, Good Shepherd Microfinance came into being on January 1, 2012.

Since its establishment, Good Shepherd Microfinance has achieved the following key activities:

- Agreement to maintain existing Good Shepherd Youth & Family Service policies pending development of Good Shepherd Microfinance policies.
- Staff consultation and agreement on an Occupational Health and Safety Framework for Good Shepherd Microfinance, including representation and incident reporting.
- Organisation structure for Good Shepherd Microfinance developed and position descriptions updated.
- Discussions have commenced on translation to a Modern Award as well as the development of a new Collective Agreement.
- Agreement on a Good Shepherd remuneration policy for managers.
- Occupational Health and Safety Analysis completed with some training conducted (OH&S, Occupational Violence).

SHORN

On 11 November 2010, Good Shepherd Microfinance's ICT Project named "SHORN" was launched. SHORN acquired its meaning as "Systems Helping Others with Real Needs" and involved an intense project journey made possible by our funding partners, the dedicated team from Good Shepherd Microfinance, its technology partners and participating providers. These partners have collaboratively worked towards the creation of integrated Cloud-based systems to facilitate the delivery of microfinance.

The core ICT systems are comprised of a CRM (Client Relationship Management) Database and the new Microfinance Provider Portal.

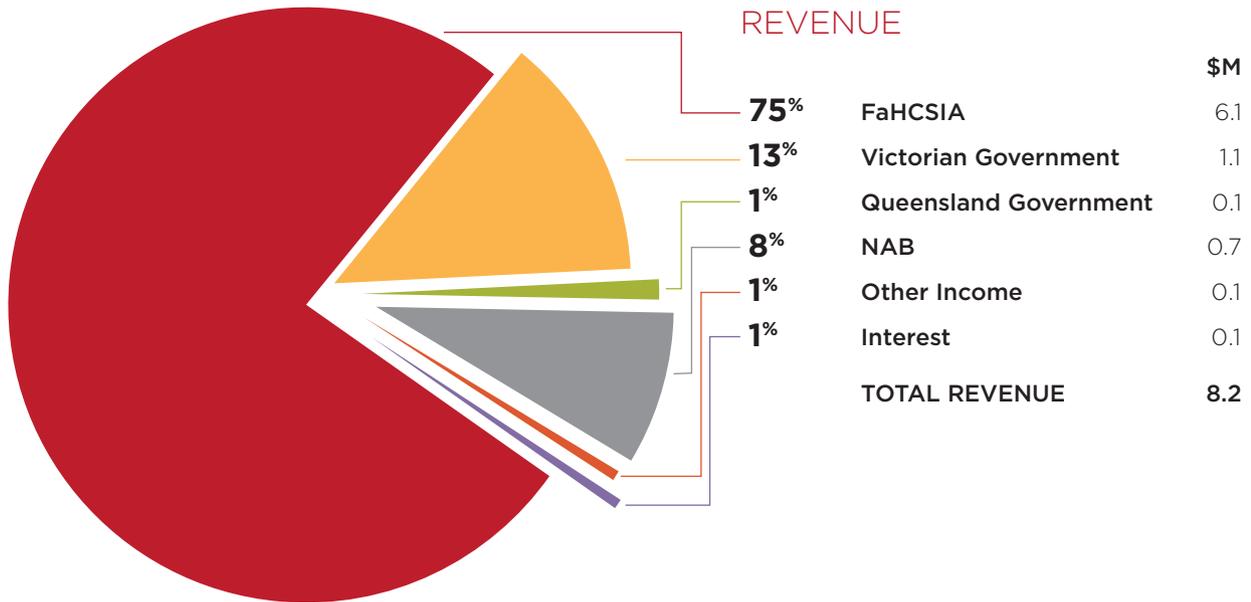
- The CRM Database is a central repository of all data, securely partitioned by organisations for managing Providers and Borrowers.
- The Provider Portal is a communication and information site for the Good Shepherd Microfinance Network to facilitate the delivery of programs.

The CRM has been online for Provider Management since April 2012, and is undergoing the last stage of testing for client management with StepUP as the

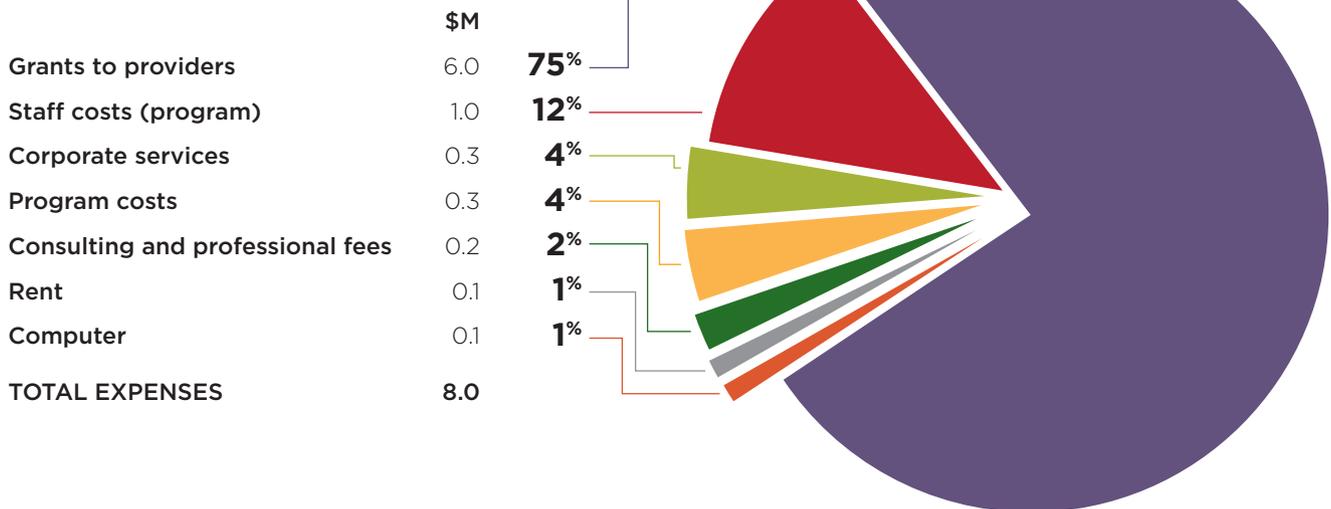
pilot group. The Provider Portal has been online since May 2012, with Provider groups being registered in stages.

As the ICT project continues to evolve over the years, the title Project SHORN will be a readily identifiable name that will provide focus on outcomes.

2011/2012 FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2012



EXPENSES



POSITION

ASSETS

	\$m
Current	32.9
Non-current	0.2
TOTAL	33.1

LIABILITIES AND EQUITY

	\$m
Payables	6.4
Other/unearned income	26.5
Equity	0.2
TOTAL	33.1

Full audited financial statements are available at:

<http://goodshepherdmicrofinance.org.au/advocacy-research/publications>

DEVELOPMENT AND INNOVATION

THE YEAR AHEAD

RECONCILIATION ACTION PLAN (RAP)

The Good Shepherd CEO Circle, comprising the CEOs of the seven agencies in the Good Shepherd Network, approved the development of a Reconciliation Action Plan in July 2012. The project is to be led by Good Shepherd Microfinance CEO, Adam Mooney, with Good Shepherd Microfinance Human Resource Advisor, Bob Maguire, in the role of project manager.

The initial meeting of the Steering Committee was held comprising the CEOs and agency representatives, in addition to Indigenous Advisor, Jason Eades. Good Shepherd agencies will audit their current programs in terms of the steps outlined by Reconciliation Australia. A statement of commitment has been prepared that commits Good Shepherd to launch a Reconciliation Action Plan by August 2013.

It is expected that the next meeting of the Steering Committee will be held in late 2012, following which a working party will be established to develop the Reconciliation Action Plan in consultation with Aboriginal and Torres Strait Islander stakeholders (clients, staff, suppliers and partners).

The aim of the Reconciliation Action Plan for Good Shepherd is to develop strong relationships and demonstrate respect to Aboriginal and Torres Strait Islander people that we interact with. This will provide the foundation for many mutually beneficial opportunities to be realised and improve our capacity to welcome, understand and fully meet the needs of Aboriginal clients.

ADDSUP MATCHED SAVINGS

Evidence that savings behaviours build financial resilience, compelled us to confirm offering the AddsUP matched savings program within the suite of microfinance programs. During the 2011-2012 financial year, AddsUP has been offered via 105 community partners accredited to deliver NILS in more than 120 locations. Our ambitious projection for 2013 is to see 1,000 accounts opened with a benchmark of 80% of customers receiving the \$500 matched savings plan offered by NAB.

Good Shepherd Microfinance will continue to look at ways in which we can support our community partners to successfully deliver AddsUP and will work with NAB to further develop support, resources and training and further enhance the financial capabilities that are demonstrated through the program.

ENERGY INCLUSION

Over recent years, our microfinance programs have explored various ways to integrate energy information into the work of Good Shepherd Microfinance and that of our community partners. In 2011, with a grant from Sustainability Victoria, we developed and piloted the Talking Stars program across Victoria. This proved to be a useful professional development tool for microfinance workers across the country.

We are pleased that over the next year we will revisit this resource and provide our microfinance partners with an innovative Talking Stars model for energy efficiency.

In October 2011, we welcomed the announcement of the Household Energy Saver Scheme (HESS) by Minister Macklin during anti-poverty week. In partnership with FaHCSIA, Kildonan Uniting Care and representatives from the NILS Network, Good Shepherd Microfinance is developing initiatives that focus on offering NILS borrowers support to purchase energy efficient items.

Through this collaboration, the following four initiatives have been developed, and we very much look forward to their application in 2013.

1. Talking Stars training program for Microfinance and HESS Energy Workers across Australia.
2. An online buying service which will be available to consumers of microfinance and HESS programs.
3. A HESS Grants Program for accredited NILS programs. This will build on the existing grants program, specifically focusing on the provision of energy efficient NILS items.
4. The HESS Subsidy Program available for NILS Borrowers to have access to funds for the purchase of approved energy efficient items at a reduced cost.

ASIA PACIFIC REGION

We congratulate our partner Nga Tangata on the piloting of NILS in South Auckland. As the first NILS program in New Zealand accredited by Good Shepherd Microfinance, we look forward to a continuing working relationship in 2013 that will see increased access to safe, fair and affordable financial products for New Zealanders living on low incomes.

Over the coming year, we will work with Good Shepherd partners in the Asia Pacific region to build our knowledge and expertise, through collaboration, sharing of ideas and best practice. We aim to pilot microfinance initiatives in the region and look forward to reporting what has been achieved.

OUR VALUED SUPPORTERS

Federal Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)
Queensland Government
Northern Territory Government
New South Wales Government
Victorian Government
Western Australian Government
NAB
Telstra
Cornwall Stodart
Deloitte Private
Infoxchange
Good Shepherd Youth & Family Service
Good Shepherd Australia New Zealand
Synergistiq
Morgan Stanley
Matrix on Board
Investors in People
Desert Knowledge Australia
Eades Consulting Group
Centre for Social Impact
RMIT
Liz O'Brien, Health Enhancement Living Program
Ernst & Young
Reconciliation Australia
MediaWise
Catholic Development Fund

HOW YOU CAN HELP MAKE A DIFFERENCE

There are many ways that you can get involved and support the work of Good Shepherd and make a difference for women and girls.

WORK WITH US

Opportunities to work for Good Shepherd Microfinance arise from time to time. If you are interested, please go to our website www.goodshepherdmicrofinance.org.au or email: info@gsmicrofinance.org.au

VOLUNTEER WITH US

Volunteering your time to support the work of Good Shepherd is a valuable contribution and a hands on way you can get involved. Volunteers across the Good Shepherd Network are involved in mentoring, research projects, foster caring, advocacy campaigns, study support, teaching young people to drive, economic justice, friendship programs, supporting fair trade and much more!

To find out more about volunteering with the Good Shepherd Network, please contact our Volunteer Coordinator on 03 9270 9738 or email: info@goodshep.com.au.

SUPPORT THE GOOD SHEPHERD FOUNDATION

The Good Shepherd Foundation was established in 2011 to continue funding services aimed at building a fair and just society, with a particular focus on helping disadvantaged women and girls.

The Good Shepherd Foundation seeks to build locally held funds to support Good Shepherd agencies. A dedicated sub-fund has been allocated for each Good Shepherd agency. A general fund has also been established to distribute funds to Good Shepherd projects where it is most needed.

Each individual legacy and donation given through the Good Shepherd Foundation will help us to continue to respond to challenges arising from contemporary issues and community needs and can be directed to a specific Good Shepherd service.

The Good Shepherd Foundation has all the tax advantages of charitable giving and provides the opportunity to leave a lasting legacy in your will.

HOW TO CONTRIBUTE

If you would like more information about the Good Shepherd Foundation, please get in touch with us on 03 9270 9700 or email: foundation@goodshep.com.au

SIGN UP FOR ACTION!

Good Shepherd Microfinance welcomes people to join the network of Good Shepherd people already staying informed about social justice and microfinance issues and what is happening around the network through regular e-newsletters. If you would like to sign up to receive the e-news, please subscribe on www.goodshepherdmicrofinance.org.au

NETWORK MAP



“Be absolutely fair
in your dealings.”

- St. Mary Euphrasia

GOOD SHEPHERD MICROFINANCE
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ABN 36 151 124 408



Good Shepherd

Microfinance