

Iraqi Microfinance Network

Building an Inclusive Microfinance Sector



الشبكة العراقية للتمويل الاصغر

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# Bylaws

## Iraqi Microfinance Network (IMFN)



## List of Acronyms

CBI	Central Bank of Iraq
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
COC	Code of Conduct
FSS	Financial Self Sufficiency
Gol	Government of Iraq
IMFN	Iraq Microfinance Network
MENA	Middle East and North Africa
MFI	Microfinance Institution
MIX Market	Microfinance Information eXchange Market
MIS	Management Information System
NBFI	Non Bank Financial Intermediary
NGO	Non- governmental Organization
OSS	Operational Self Sufficiency
PAR	Portfolio at Risk
SEEP	Small Enterprise Education and Promotion Network



## Bylaws for the Iraqi Microfinance Network

### Chapter One

#### Terms

The Iraqi Microfinance Network, a member-driven association, is a grass-roots one that will play an active role in shaping and advancing an inclusive, sustainable microfinance industry in Iraq, and contribute to the development of the industry in the Middle East and North Africa (MENA) region. Members can range from banks, non-governmental organizations, donors, social and commercial investors to development institutions, financial sector regulators and multilateral agencies working in Iraq and the MENA region with an interest and are directly involved in supporting an inclusive financial sector. The Network will play a catalytic role in increasing institutional capacity, promoting transparency and creating an enabling environment for the member institutions, particularly MFIs.

#### Article (1)

The words and expressions mentioned in these articles have the meanings stated below wherever they appear in this article:

- 1) The term **Network** means: The Iraq Microfinance Network (IMFN)
- 2) The term **members** means: All institutions registered as members of the Network.
- 3) The term **Board** means: The Board of Directors
- 4) The term **microfinance institution (MFI)** means: The institution whose objective is to offer and provide inclusive quality, sustainable financial services.
- 5) The term **industry** means: MFIs, NGOs, non-banking financial institutions (NBFIs) and commercial banks offering inclusive financial products and services.
- 6) The term **General Assembly** means: a meeting of the full or regular members. Also, it is the highest authority of the Network.

#### Name, Headquarters and Objectives



## Article (2)

- 1) The Network will be called, "The Iraqi Microfinance Network (IMFN)"
- 2) Headquarters: The headquarters of the Network is in Baghdad, Iraq with the possibility of future chapters within Iraq in line with its strategy, business plans and budget.

## Vision Statement

## Article (3)

The vision of the Network is for an ever more inclusive financial services sector in Iraq serving those who otherwise have little to no access to them elsewhere, including the poor, micro and small entrepreneurial women and men to improve their standards of living, their families, and contributing to local, regional and national economic development.

## Mission Statement

## Article (4)

The Network advocates growth, innovation, adherence to best practices and standardization of the microfinance sector in Iraq. The Network is a national association committed to improve the quality of life of disadvantaged Iraqis through the provision of quality, inclusive financial services.

Network members are dedicated to achieve the double bottom line i.e. social and financial. The Network aims to promote MFIs that take up commercial strategy to achieve social goals in a sustainable manner.

## Chapter Two

## Objectives and Activities

## Article (5)

### Objectives

- To showcase the Iraqi microfinance industry within and outside the country; introduce quality financial products and services offered by member MFIs.
- To be at the forefront of helping the industry in managing risk and introducing internal controls resulting in responsible growth.



- To continue to look for integrated information and communications technologies with management information systems (MIS) for better portfolio and financial management and improved transparency.
- To champion governance and management principles, and disseminate and require adherence to best practices across the industry.
- To strengthen the capacity of MFIs through needs-based training, technical assistance and peer exchanges.
- To advocate for an enabling and conducive microfinance environment and for the inclusion of microfinance in the financial sector.
- To foster innovation in the microfinance sector by researching and highlighting leading trends in technological developments, product diversification and new financial services.
- To form strategic alliances with banks, non-banking financial institutions, banking and microfinance associations, donors, funders and government stakeholders.

## Activities

- Transparency and Information Dissemination
  1. Define and require standard reporting systems across the industry (CGAP recommended)
  2. Support all MFIs working in Iraq in uploading their profiles and data onto the MIX (Microfinance Information Exchange) Market.
  3. Prepare and issue the annual state of the sector report.
  4. Ensure adherence to the Code of Conduct and Ethics (COC) for Iraqi microfinance institutions.
  5. Disseminate all relevant information to all stakeholders.
  6. To showcase Iraqi microfinance industry at regional and global fora such as Sanabel, the SEEP Network, and Banking with the Poor.
  7. To be *the* one-stop Iraqi microfinance industry knowledge portal ([www.IMFI.org](http://www.IMFI.org)).
  8. To manage and implement the blacklist system to avoid multiple lending, transforms and evolve it into a credit bureau.
- Policy Advocacy
  1. Lobby for the Iraqi microfinance industry before all relevant authorities at the local, national, regional and international levels.
  2. Facilitate debate and dialogue for creating an ever more favorable enabling environment for microfinance.
  3. Liaise with the NGO Assistance Office and other regulatory bodies in Iraq.
  4. Facilitate and help coordinate contact with the regional and international donor community to make investments and other interventions favorable to the Iraqi microfinance industry and its constituent MFIs.
- Institutional Capacity Building
  1. Conduct training needs assessments (TNA) in line with changing industry scenario.
  2. Update quality training (curricula, pedagogy, delivery, etc.) on microfinance operations to the members.
  3. Train members on strategic business planning and governance.



4. Promote and encourage cross fertilization visits among members and peers within the country and region to learn microfinance best practices.
5. Develop and circulate microfinance best practices among members and other stakeholders, with special reference to Iraq.
6. Organize workshops, conferences and seminars to keep members and other stakeholders informed of developments in the microfinance industry at local, national, regional and global levels.
7. Any other activities authorized and approved by the general assembly

## Objectives and Activities – Exclusions

### Article (6)

The Network shall not be allowed to conduct any of the following purposes or activities:

- Form military or Para-military formations or detachments.
- Mobilize or otherwise have any dealing in terrorist financing, money laundering and illicit drugs
- Threaten national unity, violate public order or morality or advocate discrimination against citizens an account of gender, ethnic origin, color, language, religion or creed.
- Practice any political or trade union activity exclusively restricted to political parties and trade unions.
- Seek profit or practice any profit-oriented activity. However, adopting commercial controls to generate such income that contributes to the realization of the Network's purposes shall not be considered a contravening activity'.
- Engaging in financial speculation.

## Chapter Three

### Membership

#### Article (7)

#### **Benefits of the Membership**

Being part of the Network, members will be able to:

- Identify key issues in the Iraqi microfinance sector and contribute to developing a coordinated strategy for it;
- Belong to the platform of the country's key players in microfinance and linked to regional and global stakeholders;



- Participate in Network-organized conferences and other events and get access to the Iraqi inclusive financial services industry's newsletter, e-updates, website, and other relevant sources of information ;
- Be promoted by the Network at events at the national regional and global levels;
- Participate in national, regional and international policy forums, working groups and conferences on financial inclusion and sector development.
- Participate in Network-organized capacity building events including, among others, trainings, workshops, seminars and cross fertilization visits within Iraq and the region;
- Receive Iraqi, regional and global updates on the latest developments in the industry;
- Receive performance monitoring reports for Iraq and the region;
- Voice concerns, define issues and recommend solutions pertaining to microfinance to improving policies and practices; and increasing social performance and impact.

## Article (8)

### Membership Types

The Iraq Microfinance Network will offer two kinds of memberships.

- A. Regular or Full Members
- B. Associate Members

### **Regular or Full Members**

Regular or full members will be the microfinance and financial institutions directly involved in microfinance retail operations in Iraq.

All regular members are required to achieve the following criteria and have at a minimum:

- 1) A valid certificate of incorporation (legal entity) in Iraq and/or a certificate of registration with the NGO Assistance Office.
- 2) A clear physical address (as well as clear postal address).
- 3) A clear institutional set-up that is transparent and democratic.
- 4) Significant involvement in microfinance as (part of) its core business.
- 5) Signatory to the Network's Code of Conduct and Ethics (COC).
- 6) Good working relations with local authorities, target communities, other actors in the microfinance industry and other development partners.
- 7) Be willing to be externally audited by duly qualified, recognized external auditors.
- 8) Committed to having clients/communities at the centre of its operations, i.e. clients must have a right to be heard and served professionally.
- 9) Willing and able to pay membership and annual subscription fees to the Network as per resolution of the General Assembly.
- 10) Not involved in any dubious activities such as those defined in Article 6 above that could disgrace the microfinance industry.
- 11) Regular members have full voting rights and powers and will be eligible for membership in the General Assembly of the Network and subsequently can participate in its governance.

Any organization which meets the above conditions will submit a written application to the Network along with all the required documents referenced in Article 12.



## Associate Members

Associate members are support institutions/organizations which are not directly involved in retail microfinance. They are, however, committed to the sector and are into the business of providing technical and financial assistance to MFIs and their current and prospective clients. They can include among others apex bodies; development organizations, networks, associations, capacity building service providers, donor projects and organizations.

### ***They Must Possess or Be:***

- 1) A valid certificate of incorporation (legal entity) in Iraq and/or a certificate of registration with the NGO Assistance Office and/or other legal recognition to operate in Iraq.
- 2) A clear physical address (as well as a clear, functioning postal address).
- 3) A clear institutional set-up that is transparent and democratic.
- 4) Committed to promote microfinance best practices and professionalism in the industry in Iraq.
- 5) Committed to promoting the Network's COC.
- 6) In good working relations with local authorities, target communities, other actors in the microfinance industry and other development partners.
- 7) Willing to be externally audited by a competent, recognized external auditor.
- 8) Willing to pay membership and annual subscription fees to the Network as per resolution of the General Assembly.
- 9) Not involved in any dubious activities that could disgrace the microfinance industry.
- 10) Associate members do not have voting powers and are unable to participate in the General Assembly and governance of the Network.
- 11) Ineligible for certain closed user group services reserved only for regular members.

## Article (9)

### **Eligibility Criteria**

To become member of the Network, the institutions and organizations should fulfill the following criteria:

#### **1. Legal status**

##### ***For Full or Regular Members; Required to be One of the Following:***

- a. NGOs/MFIs – registered with the NGO Assistance Office as retail microfinance services providers;
- b. INGOs – legally registered in the country with independent main office/head office in Iraq.



- c. Non-banking financial intermediaries registered with, and licensed and regulated by the CBI.
- d. Other organization engaged in microfinance business.

### **For Associate Members**

Development organizations, donor-funded microfinance programs, donors and multilateral organizations, registered as a legal entity, working in Iraq and support the creation of an inclusive, sustainable microfinance industry.

### **2. Strong Commitment to and, Interest in Iraqi Microfinance**

- a. Institution must be committed to microfinance industry best practices;
  - b. Interested in sharing and learning from member MFIs in the Network;
  - c. Willing to contribute to building an inclusive, sustainable microfinance industry.
3. For multi-sector NGOs, microfinance operations should be distinctly separate from the parent organization in terms of financial and human resources management.
  4. Members should be in good standing with NGO Directorate, government agencies and other regulators and must disclose timely, accurate, and transparent information with them.

### **Article (10)**

#### **Termination of the Membership**

The General Assembly by majority vote has the right to terminate the membership in any of the following cases:

- 1) If the member/ representatives fail to participate in two consecutive meetings or not actively participating in the Network activities;
- 2) If the member has failed to pay the annual membership or any other dues by March 31<sup>st</sup> of the year.
- 3) If the member fails to meet any of the membership conditions/criteria which were defined above.
- 4) The Board has the right to defer the fees/dues payment on a case-by-case basis.
- 5) If a member is barred from performing microfinance operations by NGO Directorate and other regulatory bodies.

In case number 3, the General Assembly can give a member a one-year probation period in order to fully meet the requirements of Network membership.

## Chapter Four

### **General Assembly**

### **Article (11)**



The General Assembly includes full or regular members of the Network who have fulfilled their membership obligations.

## The General Assembly Annual Meeting

### Article (12)

The General Assembly shall meet at least once a year at the Network's annual conference.

### Article (13)

The Board shall call a meeting of the General Assembly by written invitation to each member (**3 weeks**) prior to the meeting date. The agenda of the meeting shall be attached to the invitation, which shall be sent by fax and/or by email. Members may propose in writing additional agenda items at least one week prior to the meeting date. The meeting of the General Assembly shall discuss all the items on the agenda.

### Article (14)

The meetings of the General Assembly shall be presided over by the Chairperson of the Board. If s/he is absent, the meetings shall be presided over by the Board member nominated by the Chairperson.

### Article (15)

The quorum required for the General Assembly meeting shall be half plus one of the full members. If a quorum is not reached, no final decisions will be made at the meeting but will be carried over to the next meeting. If there are urgent issues that need to be resolved immediately, the Board can circulate these issues by email/fax among all members for discussion and voting.

### Article (16)

In case a member MFI is unable to participate in a General Assembly meeting, it can authorize another member to represent / vote on its behalf by informing the Board Chairperson of the Network in writing on the MFI's official letter head.

## Responsibilities of the General Assembly (Members)

### Article (17)

At its meetings, the General Assembly shall:



- 1) Discuss and approve annual work plans and budgets presented by the Board Chairperson.
- 2) Discuss and approve the annual administrative and financial reports submitted by the Board of Directors regarding the Network's operations, activities and financial status during the previous fiscal year.
- 3) Decisions in the General Assembly meeting shall be made by a simple majority vote, except in regards to changing the bylaws, which would require a two-thirds majority of the voting members present.
- 4) Recruitment and termination of the Network General Manager.
- 5) Approve an external auditor. The auditor shall not be contracted for more than a three- year term.
- 6) Elect the Board members of the Network.
- 7) Discuss and decide on any other issues included in the agenda or related to the Network.
- 8) **All** meetings of the General Assembly can be held more frequently than annually, subject to a two-thirds vote of the full members of the Network.

## Chapter Five

### The Board of Directors

#### Article (18)

- 1) The Board of Directors is accountable to the General Assembly and is responsible for ensuring the strategic guidance of the Network and the effective monitoring of its management, to attain the objectives of the Network (Article 5) in such a manner as to protect its best interests and to maximize its value-adding to the industry.
- 2) The number of directors comprising the Board will be seven (7), selected for their specialized expertise in the areas of microfinance, transparency, advocacy and capacity building, lending operations, financial sector policies and norms, and reform in developing/transitioning economies. In line with microfinance best practice, they shall also have particular knowledge of financial sector activities, including agricultural development, and micro, small and medium scale enterprises and their financing. Members can be elected through a procedure determined by the General Assembly.
- 3) A Board, including specialized expertise relevant to the Network's activities shall be elected at the first meeting of its General Assembly.
- 4) Members of the Board must be Executive Directors/Managers/CEOs of the MFIs that are full members of the Network.
- 5) The members of the Board shall serve for a one-year term which shall be renewable.
- 6) No member may be re-elected to the Board for more than two consecutive cycles.



- 7) The Board shall elect a Chairperson from its members for one-year term.

## **Article (19)**

The members of the Board are volunteers. They will not be paid salaries for their participation in the work of the Board.

## **Article (20)**

Should a seat on the Board become vacant for any reason, the General Assembly will elect a substitute to remain a member until a new Board of Directors is elected.

## **Article (21)**

Any director or the entire Board may be removed failing to comply with the bylaws through a transparent and objective process by the members of the Network at an annual or special meeting of the general assembly with the majority of two third of the members entailed to vote .

## **Roles and Responsibilities of the Board of Directors**

## **Article (22)**

The Board of Directors has the following roles and responsibilities:

- 1) Convene annual meetings of the Network General Assembly.
- 2) Implement decisions made by the General Assembly.
- 3) Set up policies necessary to achieve the Network's objectives based on the discussions, guidance and decisions of the General Assembly.
- 4) Prepare an annual report of the Network's activities and performance.
- 5) Submit the annual accounts and budget for the upcoming financial year to the annual meeting.
- 6) Determine job description, responsibilities, salary, allowances and any other benefits of the Network General Manager. The Board will interview and recommend the incumbent to the General Assembly for approval.
- 7) The Board will supervise and appraise the performance of the General Manager.
- 8) Forming sub- committees when needed. The Board could delegate some of its responsibilities, when necessary, to any of these sub-committees to help achieve Network goals.
- 9) Recommend an external auditor to the General Assembly and approve the auditors' fees.
- 10) Issue or amend the rules regulating its work and affairs when it deems necessary.
- 11) Discuss and approve the quarterly financial reports and planned expenditures submitted by the Network General Manager.
- 12) Discuss and approve all membership issues (applications, terminations and reinstatements) and provide recommendations to the General Assembly for final approval.
- 13) Work to develop and maintain the financial resources of the Network.



- 14) Exercise its right to reach agreements and contracts with external parties and to manage its own affairs and resources. If an agreement is made with a sponsoring organization, the Network's independence in managing its affairs should not be affected. The relationship between the Network and a sponsoring organization must be laid out in a clear and detailed agreement.

## Responsibilities of the Chairperson of the Board of Directors

### Article (23)

- 1) The Board elects a chairperson who holds the following responsibilities:
  - a. Lead the Network to accomplish its mission
  - b. Preside over meetings of the Board and the General Assembly
  - c. Supervise the Network board and its subcommittees
- 2) A representative of a sponsoring organization at any time cannot hold the position of chairperson.

## Committees of the Board of Directors

### Article (24)

On the approval of the Board of Directors, the Chairperson may appoint specialized Board committees, as and when required, whose terms of reference (TOR) would be determined by the Board. The designation of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility or liability imposed upon it or him/her by law. The opinions of such committees must be presented to the Board for consideration and decision.

## Meetings of the Board of Directors

### Article (25)

- a) The Network's Board of Directors shall hold at least one meeting every three months. Meetings shall be quorate and valid only if attended by the majority of the Network's Board of Directors (half of the members plus one).
- b) Resolutions shall be issued by a simple majority of members present (more than 50%). In case of tie votes, the Chairperson shall cast the deciding vote.
- c) Telephone / VOIP conferencing as a means of participation in Board meetings shall be considered as an exceptional substitute to the physical presence of a director in a Board meeting, in extraordinary circumstances, and conditional on the following:
  1. Telephone/Skype participation during the entire Board meeting.
  2. The use of proper teleconferencing equipment that permits all participants to hear each other freely and speak to each other throughout the meeting.

### d) Agendas

- All Board meetings will be based on pre-determined agendas. Agenda items will be proposed by the General Manager of the



Network and approved by the Board Chairperson.

- Meetings will not be valid without agendas.
- Board members will be invited to submit items for inclusion in the agenda 15 working days before the meeting. They will submit the proposed agenda items within five working days of receiving the invitation.
- The Board secretary will ensure that all Board meeting preparation and briefing documents are sent to Board members at least seven working days before the scheduled date of the meeting.
- Draft minutes of the last meeting will be sent to Board members at least 15 working days before the next Board meeting.
- The Chairperson will retain the final determination about items to be included in the agenda.

#### e) Minutes or Recordings of Proceedings

- Minutes of the Board meetings and of all committee meetings shall exclusively constitute a record of decisions taken, not of processes, comments, presentations or opinions. In cases where a Board member wishes to record an objection to a majority voted decision, s/he may record the objection in the minutes.
- Meeting minutes shall be attached to the agenda that engendered the minutes.
- Un-minuted meetings will be null and void.
- Minutes of the last meeting shall be submitted to the Board at the subsequent meeting and a vote shall be taken to record the minutes as a fair and correct record of the previous meeting. Board members may use this occasion to request clarifications and corrections of the minutes. Amendments to the minutes shall be put to the vote and then ratified.

## Chapter Six

### Network's Resources

#### Article (26)

The Network's financial resources and revenues are composed of:

- 1) Membership fees and dues from.
  - a. Full members:
  - b. Associated members
- 2) Donations and grants.



- 3) Fees charged by the Network for services rendered to either members or to non-members.
- 4) Sponsorships
- 5) Any other resources approved by the Board of Directors.

## Article (27)

The Board of Directors will authorize opening of a bank account for the Network at one or more banks and may deposit the Network monies therein. Only persons authorized by the Board shall make any transactions. All transactions must be performed according to the financial policies and procedures established for the Network, and must be accompanied by clear documentation.

## Auditing of Accounts

## Article (28)

An external auditor recommended by the Board and approved by the General Assembly shall audit the Network's accounts and financial records annually to promote the transparency and independence of the external auditor.

## Chapter Seven

## Network's Dissolution and Merger

## Article (29)

### i. Dissolution

- 1) The Network shall remain in existence until the General Assembly votes to dissolve it by a two-thirds majority vote.
- 2) In the event the Network is dissolved, its monies, after settling all of its obligations, shall be distributed to non-profit organizations registered with NGO Directorate according to the directives of the General Assembly and in line with the NGO law.

### ii. Merger

1. With the votes of two- third of the General Assembly, the network will be merged with another network which practice the same activity and have the same objectives.
2. The merger mechanism will be according to a signed agreement between both parties.
3. The NGO Directorate will be notified within 30 days from signing the agreement



## Chapter Eight

### Provisions in Iraqi NGO Law

#### Article (30)

All provisions of Iraqi NGO law that apply to NGO-MFIs also apply to NGO-MFIs Networks, , acquisition, merger, dissolution, rights, duties and penalties. As such, all provisions on prohibited activities also apply.

## Chapter Nine

### General Provisions

#### Article (31) Books and Records

The Network shall keep correct and complete books and records in accordance with Iraqi law and international standards, and shall also keep minutes of the proceedings of the General Assembly, Board of Directors and committees having any of the authority of the Board. The books, records, papers and bylaws of the Network shall at all times, be subject to inspection by any auditor or regulatory authority at the headquarters of the Network during normal business hours.

#### Article (32) Non-discrimination Policy

In general, within the Network and in considering membership and office bearer, the Network will take care that it will not discriminate in any way with regard to gender, nationality, race, religion, ethnic origin, sect or handicap. It shall require all members and MFIs to confirm their own commitments to such non-discrimination policy.

#### Article (33) Code of Conduct and Ethics

The Board of Directors shall implement a Code of Conduct and Ethics governing all MFIs. The Code will be in line with microfinance best practices and Iraqi law.

#### Article (34) Fiscal Year

The Network's fiscal year shall be a calendar one; i.e., to start on January 1<sup>st</sup> and terminate on December 31<sup>st</sup>.

## Chapter Ten

### Amendments to the Bylaws

#### Article (35)



The governing bylaws of the Network are subject to revision to reflect the changing role and services of the network. Amending the bylaws will be in the following manner:

- The Board of Directors will review and discuss the suggested changes and adopt it
- The Board secretary will incorporate approved changes and distribute revised documents to all interested parties.
- Amendments shall be submitted in a written form to the General Assembly members at least 15 calendar days prior to the General Assembly meeting for their consideration at that meeting.
- Any amendment in the bylaws should be approved by two-thirds majority of the General Assembly.
- The final approved bylaws will be sent to the NGO directorate.