

# Responsible Finance through Local Leadership African Microfinance Associations



**THE SEEP NETWORK  
2018 REGIONAL NETWORK SUMMIT**

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## Acknowledgements

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### About The SEEP Network (SEEP)

SEEP is a collaborative learning network. We support strategies that create new and better opportunities for vulnerable populations, especially women, to participate in markets and improve their quality of life. For over 30 years, our members have served as a testing ground for innovative strategies that promote inclusion, develop resilient markets and enhance the livelihood potential of the worlds' poor. Our work in Responsible Finance is designed to promote strong member-based associations to act as champions for consumer protection through standards promotion, capacity building of members and strong partnerships with governments to ensure appropriate regulation and supervision. SEEP provides organizational and financial support to microfinance associations to address capacity gaps in areas that are crucial to their successful promotion of responsible finance. [www.seepnetwork.org](http://www.seepnetwork.org) @TheSEEPNetwork



### About The Association of Microfinance Institutions in Rwanda (AMIR)

AMIR is the only umbrella body for microfinance institutions in Rwanda that seeks to build a flourishing microfinance sector through Advocacy and Information, Research and Development, Responsible Finance, Performance Monitoring and Capacity Building. AMIR was created in 2007 with 32 founding members. Currently its membership has reached 343 licensed microfinance banks, limited savings and deposit taking companies, and credit and savings cooperatives. Its membership represents more than 97% of the microfinance sector in Rwanda and serves close to 2.8 million customers. As a very strong partner to the Government of Rwanda and a member of the private sector federation, AMIR hopes to promote an enabling environment by facilitating collaboration amongst a wide range of private and public sector stakeholders by 2020. [www.amir.org.rw](http://www.amir.org.rw) @AMIR\_Rwanda



### About The Mastercard Foundation

The Mastercard Foundation works with visionary organizations to provide greater access to education, skills training and financial services for people living in poverty, primarily in Africa. As one of the largest private foundations its work is guided by its mission to advance learning and promote financial inclusion to create an inclusive and equitable world. Based in Toronto, Canada, its independence was established by Mastercard when the Foundation was created in 2006. For more information and to sign up for the Foundation's newsletter, please visit [www.mastercardfdn.org](http://www.mastercardfdn.org) @MastercardFdn

## Acronyms

CP	Client Protection
CPPs	Client Protection Principles
GRM	Grievance Redress Mechanism
MFI	Microfinance Institution



# 1 INTRODUCTION

Responsible financial inclusion is gaining importance in many African countries, and policies and regulations are being established in order to provide frameworks for sector interventions. Microfinance Associations are often key stakeholders driving change in their respective markets and are critical in establishing an enabling environment for responsible financial inclusion.

This document captures the experiences and lessons shared by participants during the SEEP Regional Network Summit, held on March 20<sup>th</sup>, 2018 in Kigali, Rwanda, about their own experiences promoting responsible financial inclusion in their country. SEEP hosted representatives from the following 13 countries, representing more than 1,200 financial services providers: Benin, Burkina Faso, Burundi, the Democratic Republic of the Congo, Ethiopia, Kenya, Rwanda, Senegal, South Africa, Tanzania, Togo, Uganda, and Zimbabwe. Discussions revolved around association roles in responsible financial inclusion their respective environments, including advocacy work, delivery of products and services to members, involvement in financial education for sector clients, and the establishment of client grievance redress mechanisms at the sector level.



## 2 THE ROLE OF INDUSTRY ASSOCIATIONS IN ESTABLISHING AN ENVIRONMENT THAT PROMOTES RESPONSIBLE FINANCIAL INCLUSION

### A. Advocacy and representation on national committees, strategies, frameworks supporting the development of an enabling environment for responsible and inclusive finance

- Associations have an important role to play representing their members' concerns in national debates and convenings – particularly when it comes to financial inclusion and consumer protection (CP). It is important for Associations to be involved during the drafting of the applicable laws and regulations, not just once they are enacted. However, influencing government is time consuming and can be difficult.

The Association of Microfinance Institutions of **Uganda** (AMFIU) was actively involved in designing the National Financial Inclusion Strategy (which was spearheaded by Uganda's Ministry of Finance and the Central Bank) to ensure the prioritization of consumer protection and other sector concerns. AMFIU is now an active member of the implementation committees for consumer affairs and access to finance. AMFIU also works to influence legislation to create a regulatory environment that considers responsible finance. This influence was on display when AMFIU successfully lobbied to include the Smart Campaign Client Protection Principles (CPPs) in the Tier 4 Microfinance Institutions and Money Lenders Act (2016) and subsequent regulations, making them a statutory requirement. The law also clearly defines a Microfinance Institution (MFI) as one with a double bottom line, meaning supervision will include both financial and social indicators.

The **Tanzania** Association of Microfinance Institutions (TAMFI) is represented on the National Financial Inclusion Council, which has a number of committees that oversee the: **1)** National Financial Inclusion Framework; **2)** National Financial Education Framework and; **3)** National Financial Consumer Protection Framework. TAMFI has also been responsible for establishing a Client Charter, which provides information on client rights and responsibilities.

APSPD-**Senegal** holds regular advocacy meetings with the Central Bank to discuss the state of the microfinance sector in the country. They also conducted studies on the difficulties of applying the regulations governing MFIs, which have been submitted to the supervisory authorities to inform solutions to the challenges. These studies led to a project to review the legal framework for MFIs.

## B. Codes of Conduct

- SEEP's experience shows that one of the best ways for Associations to drive change within the sector is through an industry Code of Conduct, which is central to entrenching good consumer protection practices within MFIs. One of the key roles for Associations is to ensure member MFIs understand the Code of Conduct and the value of complying with it.

AMFIU is working with the new Microfinance Regulatory Authority in **Uganda**, lobbying to make their member Code of Conduct industry-wide. AMFIU monitors member compliance with the Code of Conduct annually to identify gaps and challenges during implementation. Its 2016 compliance report found that prevention of over-indebtedness and complaints handling were the major challenges.

In **Rwanda**, The Association of Microfinance Institutions in Rwanda (AMIR) developed its Code of Conduct in line with the Smart Campaign Client Protection Principles and has an AMIR Code of Conduct compliance assessment tool that member MFIs can use to assess their CP practices.

## C. Capacity building

- There is a critical lack of appropriately trained Microfinance Institution staff, especially when it comes to consumer protection and client-focused services. Providing valuable training and technical assistance opportunities to ensure MFIs continue to develop these requisite skills is a key priority area for Associations.

**AMFIU (Uganda)** provides capacity building through assessments, social audits, training members and peer group meetings. Trainings are held on site at the member MFIs and include board members, managers and staff.

**AMIR (Rwanda)** provides training to local consultants on Smart assessments, who go on to support members with the development of action plans based on assessment results. These consultants continue to provide technical assistance to MFIs throughout the process, all with the goal of contributing to a more responsible financial sector.

In **Benin**, it was noted that getting commitment from MFIs was a challenge. To encourage commitment, all **Consortium Alafia** members who attended training on financial inclusion and responsible practice received certificates. An additional prize for excellence was offered for training participants whose contributions were particularly valuable.

## D. Knowledge and data sharing

- Associations play a key role in sharing data and insights on the microfinance sector in their countries, which also provides a valuable opportunity for them to build visibility and credibility.
- Associations also help facilitate collaboration between different MFIs to ensure that messaging to clients on industry standards, rights and responsibilities is consistent. This is important for developing trust between clients and their MFIs.
- Associations can play an important role by encouraging their members to accurately report credit data, use available services and rewarding responsible behaviors. They can also encourage clients to know their credit status and advocate on behalf of members regarding credit information sharing regulations. However, in some countries, such as those in the West African Economic and Monetary Union, formal credit information sharing through credit bureaus is not yet available to Microfinance Institutions, making this type of data sharing less comprehensive.



### What is the role of a credit bureau?

- Credit bureaus compile information provided by credit grantors on their clients' repayment performance. These bureaus use this information to produce credit reports and other solutions to demonstrate a client's credit history. Credit grantors can access this information and use it to make lending decisions.
- Credit bureaus are not only beneficial to clients, but to Microfinance Institutions as well. By making more informed lending decisions, MFIs are protected from bad debt. However, providing credit information can be challenging for MFIs, particularly those that record information manually.
- An important component for the effective operations of credit bureaus is the ability to assign unique identifiers to borrowers. This is easy to overcome in countries that have universal identification numbers but can be challenging where this is not the case, or in group lending environments.

## 3 MAJOR GAPS IN CLIENT PROTECTION PRACTICE AND ASSOCIATION SUPPORT OF MEMBER EFFORTS TO EMBED CLIENT PROTECTION PRINCIPLES

### A. Commons gaps in MFI client protection practice

- Research conducted by Associations has highlighted a number of common weaknesses within MFIs, including a lack of appropriate policies and procedures, limited capacity of staff, poor internal controls to monitor practices and inadequate human resources management practices. The CP principle (CPP) that was found to be the weakest in the majority of the countries present was the CPP 7 on mechanisms for complaint resolution.

### B. What are the reasons for these gaps and Association interventions?

- MFI staff lack appropriate training in the CP principles and thus often do not understand the relevance of CP.

In **Uganda**, AMFIU conducts on-site trainings at the MFIs. These training sessions are designed to be inclusive of board members, managers and staff to ensure that all levels are appropriately trained and understand the importance and value of CP principles.


In **Benin**, Consortium Alafia provides CP training, but they ensure that all training includes certificates of completion. This has helped to improve attendance and subsequently has promoted more interest in CP.

In the **Democratic Republic of the Congo (DRC)**, The Professional Association of Savings and Credit Cooperatives (APROCEC) works with MFIs to develop improvement plans and then conducts ongoing monitoring of its implementation.

- Most MFIs lack the financial resources to conduct Smart Campaign CP assessments. The range of consumer protection assessments using the Smart Campaign methodology and tools include: **1)** a simple self-assessment conducted by the institution's staff, **2)** an accompanied self-assessment that is supported by an accredited consultant and, **3)** an extensive assessment that is fully implemented by an external accredited consultant.

In **Rwanda**, AMIR encourages its members to conduct a CP self-assessment of their institutions at a minimum, which is the least costly assessment and therefore most feasible for them to implement. Another way Rwandan MFIs assess their CP practices is through the use of the AMIR Code of Conduct compliance assessment tool, since the CoC was developed in line with the Smart Campaign CP principles.



For more resources regarding the challenges and successes in improving client protection practices, refer to The SEEP Network Resource Center .



**A. Why complaint resolution mechanisms are important**

- Complaint resolution mechanisms provide clear processes for clients to raise concerns or queries they have as a result of an engagement with their MFI. Resolving client complaints assists MFIs to be more client-centric, which can improve customer loyalty. MFIs can also use collated information on complaints and queries to continually improve their products and services over time.
- A key driver of success of a complaint resolution mechanism is for it to be accessible by all segments of the population. As such, it is useful to offer multiple channels through which clients may direct complaints, such as physical offices, a toll-free line, association websites, SMS and email.
- While communicating the existence of a complaints resolution mechanism to clients is an important component of its functioning, another, often overlooked aspect, is ensuring that clients understand the benefit of raising complaints and are aware of the available communication channels.
- When developing complaint resolution mechanisms, it is important to consider prevailing cultural and societal norms to ensure that the platforms provided meet the needs of the clients. **More information on complaint resolution mechanisms can be found here** [↓](#).

**B. Challenges with complaint resolution mechanisms**

- Many clients still do not know they have the right to raise complaints to their MFI, highlighting the need for more information and education around CP. There is also a need to ensure that the channels through which clients can raise complaints are suitable for the clients' literacy level, and that the platforms are available in local languages.
- The implementation costs for complaint resolution mechanisms – especially advertising – are high. It is also necessary to use multiple advertising channels for the greatest reach, which contributes to the cost.
- Associations do not have a mandate to resolve issues with MFIs. They can be approached by members to support the process to develop and launch a mechanism, but the actual complaint resolution is often out of an Association's control. Moreover, the support component is limited to members only.

Statis is an example of an online complaint resolution mechanism [↓](#).

It records complaints, notes which have been addressed and how, and indicates the next action required.

The system can be customized to the unique country-specific requirements, sending automatic updates to clients as their complaint moves through the resolution process. It can also be used by MFIs, as well as Associations, with some adjustments.

During the early 2000s in **Uganda**, the focus of the MFI sector was more on sustainability and profitability than client-centricity. In response, AMFIU developed a complaint handling system to support members promoting more client-friendly engagement mechanisms. The purpose of the Grievance Redress Mechanism (GRM) was to: **1)** receive unresolved complaints, **2)** arbitrate between the client and the affected institution to ensure complaints are addressed and resolved satisfactorily, and **3)** promote consumer confidence and improve the image of the MFI sector.

Raising complaints is not a cultural norm in **Benin**. Clients are hesitant to make a complaint about the MFI as they are concerned this will cause problems for the staff, and potentially end their employment. In an effort to increase clients' comfort levels, Consortium Alafia has been focused on improving the grievance process in Benin by making it more user-friendly and accessible. One way they have been doing this is by using an online complaint resolution mechanism and working on the development of a mobile application for client complaints.

**More information on the GRMs in Uganda and Benin can be found here** [↓](#).

- Associations can support the provision of consumer education through **1)** participating in national strategies and forums relating to consumer financial education, **2)** collecting and sharing best practices and experiences from member organizations and other countries, **3)** directly educating the public on their rights as consumers, or **4)** supporting their members and building their capacity to educate their clients.
- Consumer education can be provided by associations and their members in many different ways including radio, television, print media, flyers in branches, community meetings and face-to-face workshops.

In the **DRC**, APROCEC has supported the Central Bank with integrating CP principles into the National Financial Education Program. Following these additions, attendance and participation in the program increased.

TAMFI (**Tanzania**) recognizes its lack of expertise in the field of financial education and seeks to support its members by advocating for policies that ensure financial education is readily available from other market actors.

In **South Africa**, consumer financial education is a legal requirement for financial institutions (who are required to spend 0.4% of their net profit over tax annually). However, when conducting financial education workshops, institutions are not allowed to mention specific products or use heavily branded materials (the concern being that the education will be used as a marketing opportunity). This makes it difficult to talk about client rights related to a specific product. This still provides an opportunity to integrate more content on rights and responsibilities more generally, rather than only focusing on the basics such as budgeting, interest and saving.

The ASISA Foundation, which is the nonprofit arm of the Association for Savings and Investment in **South Africa**, pools member institution funds and delivers a range of consumer financial education programs based on gaps identified through needs assessments and ongoing monitoring and evaluation.

### Participating organizations:

- Association of Microfinance Institutions in Rwanda (AMIR)
- Microfinance African Institutions Network (MAIN)
- Zimbabwe Association of Microfinance Institutions (ZAMFI)
- Association of Ethiopian Microfinance Institutions (AEMFI)
- Consortium Alafia (Benin)
- Le Réseau des Institutions de Microfinance du Burundi (RIM Burundi)
- Association Professionnelle des Cooperatives d'Épargne et de Crédit de la RDC (APROCEC-RDC)
- Association Nationale des Institutions de Microfinance (ANIMF-RDC)
- Association of Microfinance Institutions of Uganda (AMFIU)
- East Africa Microfinance Network (EAMFINET)
- Tanzania Association of Microfinance Institutions (TAMFI)
- Association Professionnelle des Systèmes Financiers Décentralisés du Sénégal (APSF Senegal)
- African Rural and Agricultural Credit Association (AFRACA)
- Association Professionnelle des Systèmes Financiers Décentralisés du Burkina Faso (APSFDF-BF)
- Association for Microfinance Institutions Kenya (AMFI Kenya)
- Association Professionnelle des Systèmes Financiers Décentralisés du Togo (APSFDF Togo)
- Genesis Analytics (South Africa)

