

IMPROVING CLIENT PROTECTION PRACTICES IN MICROFINANCE INSTITUTIONS

Perspectives from Rwanda



December 2020

This document is based on the learnings that emerged through the implementation of the Responsible Finance through Local Leadership and Learning (RFL3) [↓ Program in Rwanda](#).

The objectives of this learning brief are to:

- Explain how the program leveraged the **Client Protection Principles** (CPPs) for the promotion of responsible finance in Rwanda;
- Unpack the program's role in providing Technical Assistance (TA) in Client Protection (CP) to participating Microfinance Institutions (MFIs); ¹
- Detail the benefits of the program's TA, and how it helped embed CP in the applicable MFIs;
- Identify the challenges experienced by these MFIs in their attempt to build a CP culture;
- Discuss the sustainability of the CPPs implemented, in light of Smart Campaign coming to an end; and,
- Extract lessons from the RFL3 program that can be leveraged by other programs supporting MFIs to promote responsible finance.

This learning brief has been informed by MFI case studies as well as an in-depth review of all the other relevant program documentation. In addition, it draws on the Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs) conducted virtually with stakeholders and partners of the RFL3 program, namely staff from The Mastercard Foundation, The SEEP Network, the Association of Microfinance Institutions in Rwanda (AMIR), partner MFIs and Savings and Credit Cooperative Organizations (SACCOs), CP Consultants, and external stakeholders in the microfinance sector in Rwanda. The learning brief starts with an introduction to CP and TA. It then explains the program's approach to supporting selected MFIs to implement the CPPs. This is followed by a discussion of the successes and challenges faced in implementing this approach. The learning brief concludes by extracting the lessons from the RFL3 program that are relevant to other programs that work with MFIs to implement the CPPs.

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¹ For the purposes of this learning brief, microfinance institutions include both Public Limited Companies and Savings and Credit Cooperative Organizations (SACCOs) operating in the microfinance sector in Rwanda.

² For the purposes of this learning brief a Client Protection Consultant is a professional who has been trained in the Client Protection Principles and other components of responsible finance for the purpose of supporting financial institutions to become more CP compliant.



Association of Microfinance
Institutions in Rwanda

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 @AMIR_Rwanda



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 and communities affected by crises, 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 world's poor. SEEP's 100 member organizations are active in 150 countries worldwide. They work together and with other stakeholders to mobilize knowledge and foster innovation, creating opportunities for meaningful collaboration and, above all, for scaling impact. www.seepnetwork.org @TheSEEPNetwork



About The Mastercard Foundation The Mastercard Foundation works with visionary organizations to enable young people in Africa and in indigenous communities in Canada to access dignified and fulfilling work. It is one of the largest, private foundations in the world with a mission to advance learning and promote financial inclusion to create an inclusive and equitable world. The Foundation was created by Mastercard in 2006 as an independent organization with its own Board of Directors and management. For more information on the Foundation, please visit www.mastercardfdn.org @MastercardFdn

About the Responsible Finance through Local Leadership and Learning (RFL3) Program The Responsible Finance through Local Leadership and Learning (RFL3) Program, funded by the Mastercard Foundation has been working in Rwanda since 2017 to scale client protection (CP). The program was designed to catalyze systemic change around CP by addressing the underlying causes of market weaknesses. The program aimed to (1) promote an enabling environment through active engagement of all relevant stakeholders; (2) expand the organizational capacity of AMIR to serve as a sustainable and influential advocate for responsible financial market development; and (3) accelerate learning and knowledge exchange within Rwanda and the sub-Saharan Africa region. The program is concluding in December 2020.

Acronyms

AMIR	Association of Microfinance Institutions in Rwanda	MFI	Microfinance Institution
CPP	Client Protection Principles	RFL3	Responsible Finance through Local Leadership and Learning in Rwanda
CP	Client Protection	SACCO	Savings and Credit Cooperative Organizations
FSP	Financial Service Providers	TA	Technical Assistance
GRM	Grievance Resolution Mechanism		

What is Client Protection?

Client protection is rooted in the belief that exchanges between financial service providers and consumers should be transparent and fair, thus limiting poor treatment of clients, and increasing trust in and reputation of the sector (*The SEEP Network, Responsible Finance through Local Leadership and Learning in Rwanda*).

Client protection seeks to “level the playing field between suppliers and consumers of financial services. Retail customers have less information about their financial transactions than do the financial institutions providing the services, which can result in excessively high interest rates paid, lack of understanding about financial options, and insufficient avenues for redress. Such an information imbalance is greatest when customers are less experienced and products are more sophisticated” (*Consumer Protection Leveling the Playing Field in Financial Inclusion, Policy note, Alliance for Financial Inclusion*).

The principles of CP are very relevant for Rwanda. From the perspective of the Rwandan Government:

- The National Development Plan - Vision 2020 highlights poverty reduction and economic transformation detailing the **need for a stronger financial sector** to support increasing levels of domestic savings.
- The current National Strategy for Transformation: 2017-2024 highlights the aim of “bringing financial services closer to the people, by increasing the percentage of adult Rwandans financially included at 100% by 2024 (from 89% in 2017)”.³ In the context of the RFL3 program, **it is critical that increased financial inclusion be done responsibly and in line with the CPPs**, to prevent financial service providers (FSPs) from adopting practices aimed at increasing profits at the expense of clients who may become over-indebted.
- A CP Law was first drafted in 2016 but has yet to be passed. In the absence of a CP law, there is **no legal framework which sets out clear and enforceable guidelines**.
- However, the Rwandan authorities have shown their commitment to CP. In the absence of a CP law, the Central Bank has issued a number of regulations which contribute to increasing transparency and credit reporting. These include Regulation on Key Facts Statements⁴ and the Law establishing and regulating the functioning of credit reference bureau. In addition, the establishment of a CP department within the Central Bank in 2019, further highlights the **importance of CP for the regulator**.

The forerunner of the RFL3 program, RFL1 supported AMIR’s organizational development and its capacity to promote CP in the Rwandan sector. The work centered on the introduction of CP to AMIR members, development of industry codes of conduct which included CP content, as well as the training of MFI staff on the CPPs. That said, when RFL3 commenced, the concept of CP and implementation of CPPs remained quite new to stakeholders and the sector at large.

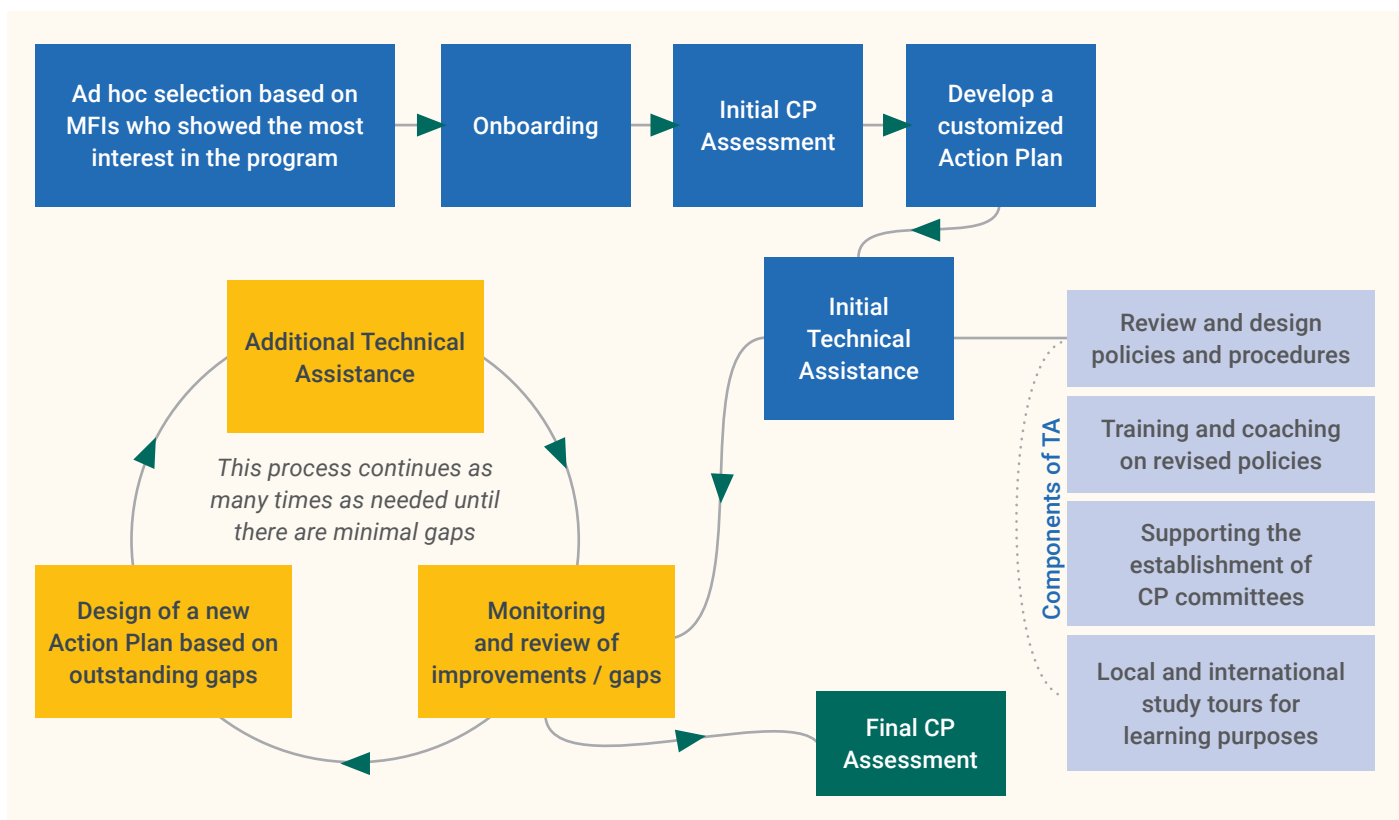
TECHNICAL ASSISTANCE ON CONSUMER PROTECTION UNDER THE RFL3 PROGRAM

The SEEP Network, in collaboration with the Association of Microfinance Institutions in Rwanda (AMIR) and the Mastercard Foundation, launched the RFL3 Program in 2017. **The program’s goal is to scale the application of CPPs for low income financial service customers, with the key component being the provision of TA to partner MFIs.** The process of selecting partner MFIs, providing TAs and building ongoing buy-in from the MFIs is captured in the graphic on the next page.



³ http://www.minecofin.gov.rw/fileadmin/user_upload/NST1_7YGP_Final.pdf

⁴ This statement requires transparency on key features of major products in credit and savings



The MFI technical support component was designed as part of the sustainability element of the RFL3 program. **The TA provided aimed to build an understanding and appreciation for CP within MFIs.** This was implemented through rigorous training and coaching of the executive leadership and staff. The CP Consultants provided additional support in the form of assisting the MFIs to design relevant policies and procedures. Collectively this aimed to ensure buy-in at all levels of the institutions encouraging ownership and capacity building.

By working through local CP consultants, and pairing them with international consultants, the program sought to build the capacity of the local consultants themselves. **This promoted the development of a cohort of established upskilled local CP Consultants who can adequately address the growing needs for CP consulting services within the microfinance sector, particularly when the CP law is enacted in Rwanda.** These consultants will also be available to provide the same services regionally at a fraction of the cost of internationally based experts.

It was further assumed that the partner MFIs who successfully implemented the CPPs would be prepared to comply with CP when the legislation is promulgated, and they would also be "role models", enticing other Rwandan MFIs to explore opportunities to improve CP in their own institutions. **This would, in turn, lead to increased demand for the CP Consultants to implement the CPPs in other MFIs.**

HOW RFL3 TECHNICAL ASSISTANCE HELPED MFIS IN RWANDA IMPROVE CP

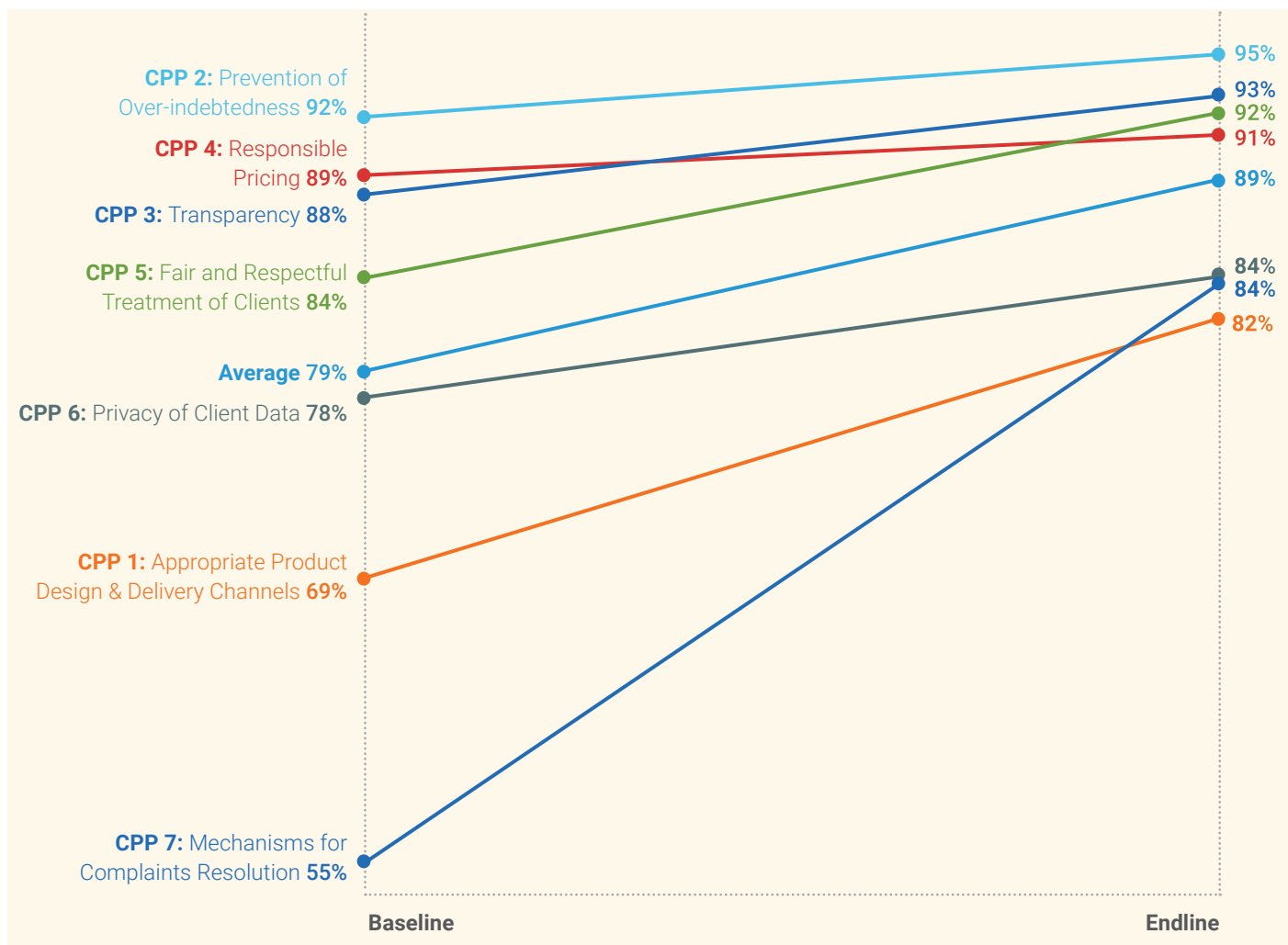
Key successes achieved through the program's technical assistance

- ✓ Establishing buy-in to the CPPs at all levels of the institution from the board level to the staff
- ✓ Providing CPP training to staff, management, and board
- ✓ Increasing focus on client-centric product development
- ✓ Improving transparency demonstrated through displaying pricing, client rights, products terms and conditions, and other information in branches
- ✓ MFIs developing their own customer care mechanisms to manage client complaints and other feedback
- ✓ Updating MFI policies and procedures to institutionalize CP
- ✓ Appointing CP Champions or a CPP Committee
- ✓ Availability of well-trained local CP consultants providing key services at Rwandan rates
- ✓ Demand from non-RFL3 MFIs for support in improving CP.

SUCCESS 1 IMPROVING OVERALL CPP COMPLIANCE IN PARTNER MFIS

Across all seven CPPs, the share of MFIs which partially or fully met the standards increased. **The largest increase reflected for CPP7: Mechanisms for Complaints Resolution.** The increase was less pronounced in areas where the score was already quite high, for example CPP2: Prevention of over-indebtedness, where the share increased from 92% to 95% between the baseline and endline. The latter is likely because this CPP specifically is a high priority for the government with strong policies supporting it.

Figure 1: Improvement in partially or fully complying with the CPPs for the seven partner MFIs



SUCCESS 2 BUILDING MFI BUY-IN FOR RFL3 TA

The initial attitudes of the MFIs varied hugely due to the lack of clarity about the purpose and value of the CPPs and Smart certification. **The CP Consultants used consistent training and policy implementation to demonstrate the value of implementing the CPPs.** This helped spark interest and motivate for change.

Over time, MFIs realized that the CPPs are, in many cases, well aligned with the objectives stated in their institution’s corporate identity. This is particularly relevant where the institutions were initially established as religious organizations. **The fact that the CPPs resonated with the organizational values, helped the institutions to formalize activities they were already trying to implement.** The CP Consultants helped MFIs to document these efforts and, in some cases, formalize their corporate approach and code of conduct to express a closer alignment to clients’ needs.

The principles of CP are linked to our mission. The CPPs can help us achieve our mission!

PARTNER MFI

SUCCESS 3

ALIGNMENT OF THE CPPS WITH MFI INSTITUTIONAL OBJECTIVES

For the partner MFIs, the importance of the CPPs has increased over the lifetime of the RFL3 program. **Training helped institutions to see how the social objectives of the CPPs can support the achievement of an institution's financial objectives.** There is recognition that the CPPs – when implemented appropriately – assist MFIs to build a more loyal client base. Selected MFIs also noted that CP is well aligned with their existing corporate objectives.

While profit is important it is not the principle objective, we are focused on educating members and making them responsible financially. If we apply the CPPs we will achieve profit but also financial transformation, changing people's lives.

PARTNER MFI



SUCCESS 4

GROWING CLIENT NUMBERS THROUGH A CP APPROACH

Through TA, the RFL3 program supported MFIs to recognize the need to focus beyond financial considerations and rather shift to prioritizing the social benefits which can be derived from a client centric approach. This is a key principle of CP. **By focusing on compliance with the CPPs, MFIs were able to build a more loyal client-base** and improve their offering of client-orientated products.

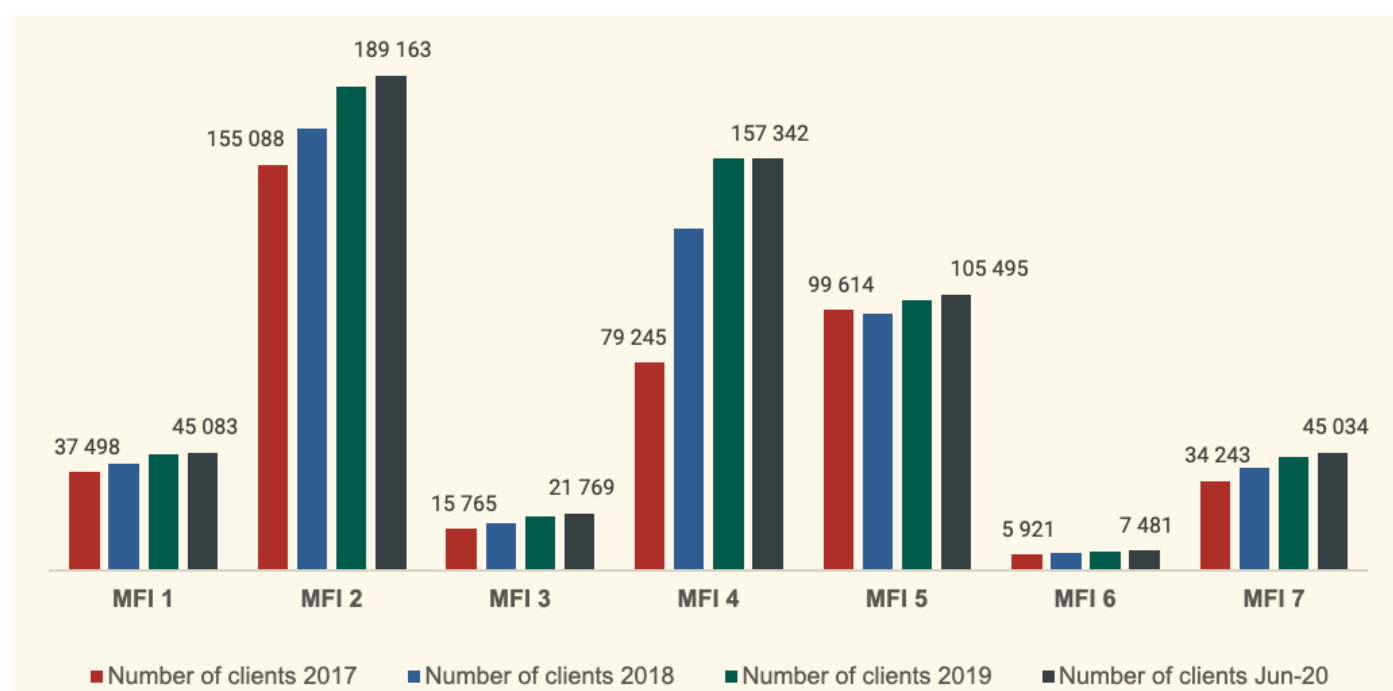
Improved transparency on aspects such as interest rates charged also allows clients to make more informed decisions. **The CPPs have supported the MFIs to develop products which seek to meet the needs of their clients better and identify areas where they can improve their client offering.** Partner MFIs, in a quest to reach CP compliance, have also developed various products. For example, one MFI has broadened its target clients to low income groups, including small holder farmers. A new branch will focus on this client group and new loan products targeted at farmer co-operatives have been rolled out. Four MFIs have used feedback from a client satisfaction survey to improve their financial products. CP has supported MFIs to increase their client base. Among all the RFL3 Program MFIs, the number of clients has increased since 2017.

If we stand together on these principles, our clients will stay with us.

PARTNER MFI



All partner MFIs that reported client numbers have witnessed an increase in client numbers since 2017.



In addition, **MFIs saw their role in changing people's lives and supporting livelihoods; a recognition that low-income customers are already vulnerable and that implementation of the CPPs can help protect this client base.** Some of the partner MFIs focus on specific sectors such as teachers, farmers and church congregations. They have a high level of understanding of the needs of these groups and therefore how they design products to best meet their needs. This is well aligned with the CPPs.

There was a decline in the number of clients between 2014/2015 due to bad service. Products were not well designed; products were not based on client needs. There was also a large number of dormant accounts (70%). After starting this (CPP) process, clients were re-activated! In 2019 there was a big increase in portfolio (40%). We also attracted former clients.

PARTNER MFI



COVID-19 has also highlighted that, in the context of limited resources, it is even more important to know where to invest. As MFIs were able to identify the existing gaps in the CPPs within their institutions, they were able to make timely changes that met the needs of clients and allowed them to have a **greater impact during the time of the COVID-19 lockdown**. Partner MFIs were very proactive during this period and were among the first in the country to take action to support their clients through a moratorium on loans (3-6 months), loan rescheduling, and loan refinancing. Their actions commenced even before the Central Bank issued guidelines on how this should be done to prevent client over-indebtedness and overall repayment crisis in the sector. Over the duration of the program, all the partner **MFIs started to appreciate the benefits of CP in their institution and within the microfinance sector overall**.

The implementation of the CPPs has also resulted in increased client satisfaction, with clients empowered through information provided to them.⁵ In turn, the greater understanding of the value of CP has encouraged the MFIs to actively engage with their clients to understand more about their satisfaction or dissatisfaction and how they can improve services. MFIs have also used this information to inform their product design. The box below provides a summary of the Customer Satisfaction Surveys conducted by partner MFIs and their use of this data, as per the case study reports compiled by the CP Consultants.

[We introduced] a customer complaint survey and were the first to conduct such a survey to determine customer satisfaction. [We hold] weekly meetings as well to review changes in policies and client satisfaction.

PARTNER MFI



Customer Satisfaction Surveys conducted by partner MFIs | CPP 1

- **MFI 1:** With the technical support from CP Consultant(s), partner MFI 1 conducted its first formal member satisfaction survey in July 2019. This member satisfaction survey reported that the majority of respondents (82.4%) found the overall customer service of MFI 1 very satisfactory.
- **MFI 2:** Based on client feedback from their Client Satisfaction Survey and Client Dropout Survey, MFI 2 developed an action plan to follow and respond to client needs. Included in the action plan was a revision of working hours in some branches and the development of a youth-centric product. A contract has also been signed with a supplier to introduce a fintech product.
- **MFI 3:** Client satisfaction surveys have been conducted on a yearly basis since 2015. The client feedback from these surveys informs the improvement of financial products and services.
- **MFI 4:** Conducted their first Customer Satisfaction Survey in July 2020.

Source: CP Consultant case study reports

SUCCESS 5 INSTITUTIONALIZING CP WITHIN PARTNER MFIS

CP Oriented Policies and Procedures

The RFL3 program has supported partner MFIs to draft new and/or update existing policies with strong CP content, including codes of conduct, mechanisms for complaint management and defining aspects such as aggressive sales techniques and appropriate and inappropriate loan recovery practices. In addition, the CP Consultants helped align existing processes with the CPPs. Both have helped ensure internal ownership of the policies developed and built understanding of the value of integrating the CPPs in the everyday operations of the institution.

⁵ Based on client satisfaction surveys and input from MFIs.

Training materials have been developed and are available for reuse, with all staff trained on these policies, ensuring a common understanding by all institution employees.

New policies and trainings have successfully built buy-in and ownership among staff. This initiated a critical mindset change – **putting the client first** - formalized through the ongoing support from the RFL3 CP Consultants. The implementation of these policies has now commenced. When the program started, the MFIs were at different levels of CP compliance, and now, nearing the end of the program, the same applies. As shown in Figure 1, **a number of MFIs have made adjustments to their CP compliance equating to readiness for Smart Certification.** The other institutions are still improving and displaying significant ownership and buy-in to the value of the CPPs in their operations.

I think the project has been very successful. MFIs and SACCOs came to understand the concept of responsible finance. They embraced the Client Protection Principles and put in place efforts to close the gaps that were identified.

AMIR



CP Committees or Champions

The buy-in from MFIs and increased focus on CP has been demonstrated by selected partner MFIs appointing dedicated staff to address the CP gaps identified and lead implementation across the organization. This, in turn, has created a willingness to allocate funding for other CP improvements.

Institutionalizing the CPPs was supported by the creation of CP Committees which ensure cross department implementation and identify roles and responsibilities within the organization. This underpinned ownership within the institutions. Where a full committee is not feasible, institutions have appointed a CP Champion to lead these improvements in the institution.

SUCCESS 6

IMPROVING TRANSPARENCY AND GRIEVANCE RESOLUTION

MFIs have **sought to improve transparency of their operations**, providing all the necessary information to clients (in the language of their choice) so that clients can make informed decisions. Information is provided in various forms such as displaying prices of all products in branches and on websites, updating loan contracts, and sharing a key fact statement with clients at the beginning of the loan process in which all prices and fees are explained.

Improved transparency is a positive change for clients who can now hold MFIs accountable for the services and products promised. In addition, the value of transparency lies in the freedom of choice for clients, improved satisfaction through selection of more suitable products, increased awareness on product requirements, the enhanced capacity for clients to negotiate for better terms and conditions and reduces conflict between clients and the institution. **This increased focus on transparency has driven MFIs to ensure that information around pricing and client rights is prominently displayed at branch level.**

[We] produced client training material which is provided to each client. [It] shows the description of loans and other key information. [We] received positive feedback from clients who received the booklet. Clients say that things are explained, interest rates are transparent. Customers can now also rate staff! [We] have a customer service charter [which] is displayed in all branches.

PARTNER MFI



I would like to see the [broader] uptake of the GRM. If all members join, then AMIR could [use this data] to identify what the big issues are and work on solutions.

PARTNER MFI



To further support efforts to strengthen CP practices within MFIs, RFL3 sought to establish a Grievance Resolution Mechanism (GRM) to service all AMIR members. **The GRM would help MFIs collect grievances and other feedback from their clients and seek ways to address them directly or through changes in products and processes.** This mechanism was piloted and is now fully operational and is currently used by eight AMIR members. The GRM is SATIS – a shared software platform which MFIs can use for processing and reporting complaints and resolutions. This platform provides a secure window and login for each participating MFI.

The process followed is that clients submit their complaints/feedback directly at their MFI branch, through SMS, email or by calling a toll-free number. The MFI staff logs the feedback received in the SATIS system. The complaint is forwarded to the relevant department in the MFI for processing. The department then handles the complaint by assigning it to the relevant staff member to resolve.

The MFI communicates the solution to the client and the satisfaction of the response is also measured. The system creates a consolidated report that show trends, scale of grievances and main areas of non-compliance with the CPPs, thus providing the MFI and AMIR with material for compliance control, advocacy and also development of new products and services to strengthen CP practice in the sector.

In addition, AMIR is established as the second tier for grievance management, where unresolved MFI clients' grievances/feedback could be forwarded for mediation. AMIR is the owner and administrator of the system, which is cloud based. AMIR is currently looking into using national data hosting companies to host the system.

DASHBOARD

3 December 2020



The change in GRM processes resulted in clients **feeling empowered by the information provided to them and their ability to hold their institution accountable to their promises.**

SUCCESS 7

BUILDING AND MAINTAINING INTEREST IN CLIENT PROTECTION OUTSIDE OF RFL3 PARTNERS

AMIR has organized [learning] sessions. People are calling to ask questions as they are now interested. Change was slow at beginning, but now there is more interest! Two CEOs have approached me [for CP information].

PARTNER MFI



Non-program MFIs/SACCOs have expressed interest in CP because of the changes they have witnessed enacted by the RFL3 program partners. This relates directly to transparency of information (including interest rates charged) and increases in member/client numbers reported.

AMIR has further facilitated the engagement between MFIs to share experiences and lessons learned, including presentations during stakeholder / member meetings and visits to branches to see how information is displayed. Challenges for the non-partner MFIs is the required resources (financial and human) to develop and update policies and implement these changes.

A pool of local CP Consultants has been upskilled in CP and certification. They are now available to advocate for and support the implementation of the CPPs in MFIs. Some have indicated that Access to Finance Rwanda (AFR) has contacted them to assist SACCOs to integrate the CPPs in their policies and processes. **The achievement of certification by one or more RFL3 Program MFI may help to stimulate further interest in CP.**

When the project started, we didn't have enough resources in country. We had to rely on CP Consultants from other countries. The capacity has been built [locally]. This makes it more affordable for MFIs to fix the gaps they have in CP and to be certified.

AMIR



The GRM which was put in place, [also encouraged] key stakeholders like the Central Bank to embrace the concept. Recently we were invited to join parliament to discuss the CP law.

AMIR



The **RFL3 program has helped maintain AMIR's relevance in the sector.** Through the program, they have continued to engage with the Central Bank about the regulatory and legislative changes required to appropriately position CP in the microfinance sector. They have also worked with other market players such as TransUnion to further the implementation of one or more CPPs in local MFIs.

SUCCESS 8

COLLABORATIVE LEARNING

RFL3 provided valuable collaboration and learning opportunities in which the seven partner MFIs could participate. This ensures that the program MFIs could share learnings between themselves and leverage these to the sector more broadly. Through ongoing group activities, CEO breakfast meetings and study tours, these leaders have developed professional and personal relationships and exchanged their experiences on progress and challenges in their CP upgrade activities. This, in turn, establishes a **strong foundation from which to advocate for key industry changes.** The same is true for the CP Consultants who now represent a united group of upskilled experts who can help implement the changes required to improve CP in the microfinance sector in Rwanda and regionally.

SUCCESS 9

PARTNER MFIS FOLLOWING A CLIENT-CENTRIC APPROACH TO COVID-19 SUPPORT

Responsible finance requires the client to be front and center. This is especially critical during challenging times such as those brought on by the unexpected COVID-19 pandemic and subsequent national lockdowns. In Rwanda, one of the focus areas for MFIs during the lockdown period was to ensure clients had continued access to funds and services. Through the application of the CPPs, MFIs were better equipped to meet the rapidly changing needs of clients during the pandemic.

Due to COVID-19, digital finance and mobile banking options that clients had previously been slow to adopt, saw accelerated uptake. In particular, the push-pull mobile banking solution which provides access to funds was widely used.

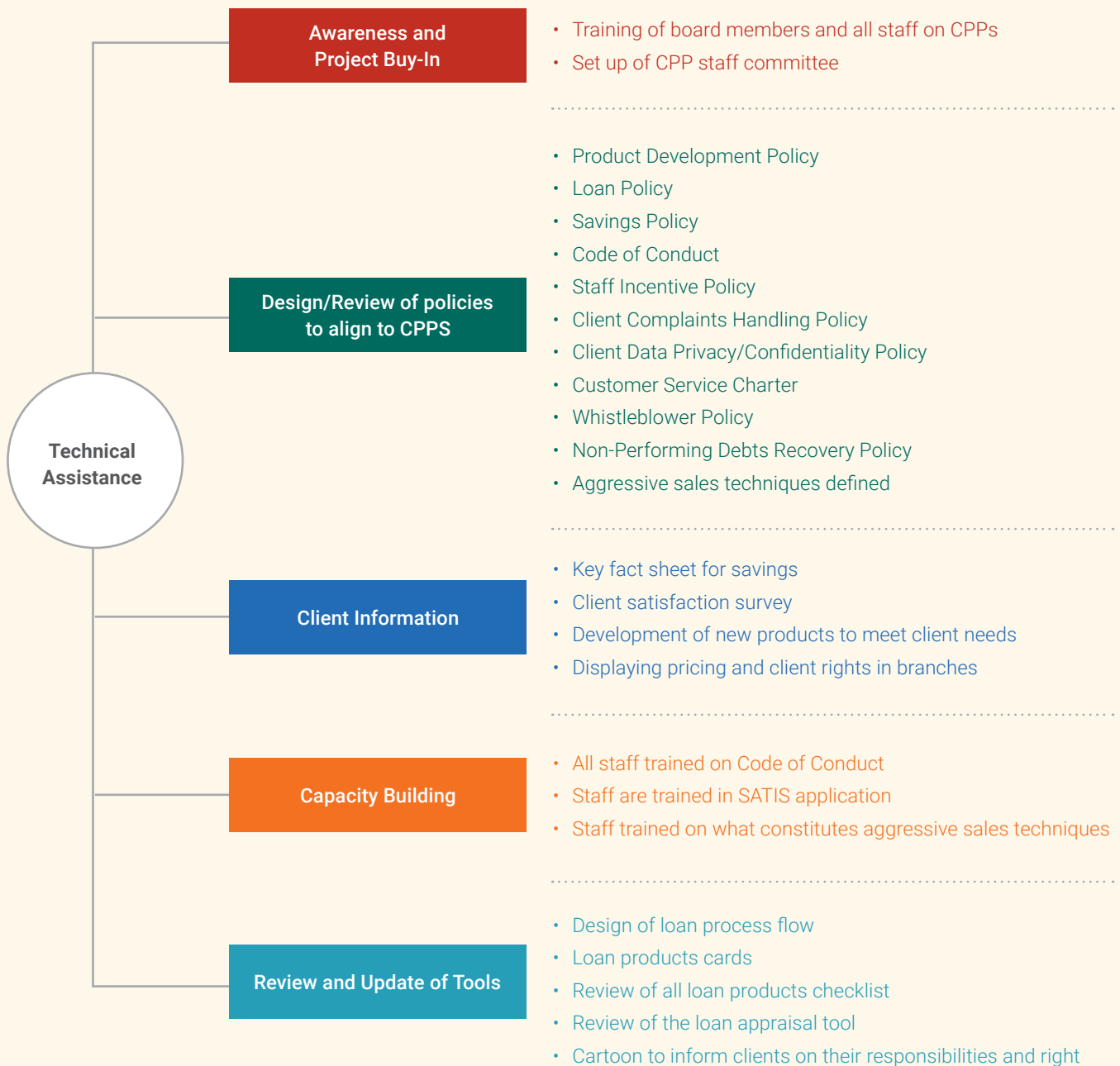
In addition, **MFIs remained engaged with clients during this period,** either via phone / WhatsApp to check-in and see how they are coping with the restraints of lockdown. **MFIs sought creative solutions to support their clients during the lockdown including implementing a loan repayment moratorium and restructuring financial contracts.** These interventions were done on a case by case basis, supporting the premise of CP in identifying client's unique needs.

[We] introduced a mobile banking solution in October 2019 [but few people registered] – total 45,000 registered but only 25,000 active. During lockdown, a large number of [new] people registered [and existing users were more active] – 75,000 are using it!

PARTNER MFI



Overall successes derived from the TA



CONSTRAINTS TO IMPLEMENTING THE CLIENT PROTECTION PRINCIPLES WITHIN RFL3 MFIS

CHALLENGE 1 LIMITED COMMUNICATION AND ONBOARDING AT THE START

[MFIs] were not interested at the beginning. [They] thought The SEEP Network [was] not the program for them. [It] took a long time to get them interested!



CP Consultant

Initially, MFIs were **unclear regarding the objectives of the project**. While key personnel may have had the opportunity to attend an introductory meeting, comprehension about the value of the CPPs and why these were important was not immediately apparent. This initially undermined the goal of the program in the eyes of these partners.

In addition, MFIs and CP Consultants reported that there was **insufficient “onboarding”⁶ at the commencement of the program further weakened by the lack of communication.** These presented hurdles to MFI buy-in early on. The lack of an official and well-articulated onboarding process also resulted in confusion regarding roles and responsibilities of the CP Consultants within the MFIs. As a result, CP Consultants found that their responsibilities were not limited to conducting training and guiding the MFIs on updating policies, but rather, **there was a need for them to convince MFIs of the importance of the initiative.**

At the beginning it was a big challenge to implement the practices [in the MFI]. SEEP and AMIR selected the partner MFIs. [I] needed to explain the purpose of the project to the MFI.

CP Consultant

At beginning, the MFI could not understand the benefits of the programme but at the end they saw the benefit.

CP Consultant

Earlier engagement with MFIs, ensuring they understood the challenge of a lack of CP in the microfinance sector, and how the implementation of the CPPs would not only help the institution but their clients as well, would have helped to build buy-in for the RFL3 program and reach the program objectives more rapidly. This was particularly true in the case of the MFIs’ Boards who are more removed from the day-to-day operations but whose approval is required to action the necessary changes.

The RFL3 program organized three study tours, with some or all of the seven MFIs and AMIR attending these. The study tours comprised of visits to MFI associations in addition to MFIs who have been Smart Certified. Information exchanges, such as the study tour to Nigeria, which particularly focused on including RFL3 partner MFIs on the tour (more details [here](#)) only took place very late in the program. **This study tour was frequently referenced by both the MFIs and the CP Consultants as a key “turning point” in the MFIs journey towards certification.** This experience was extremely successful in showing the value of CP to all the MFIs and helped the partner MFIs see firsthand the benefits of CP and Smart Certification. Since the return of the MFI Executives, there appears to have been significantly more buy-in resulting in more traction with implementing the required changes to address the CP gaps in the MFIs. The study tour strengthened their commitment to reach certification by the end of the program and therefore to implement at a more rapid pace.

CHALLENGE 2

FINANCIAL AND HUMAN RESOURCE CAPACITY CONSTRAINTS

A challenge has been that we have limited staff, who have a lot of other responsibilities, if we had more resources e.g. budget, to have staff to focus on this certification it would have helped. If we had 1 person dedicated to the project, we could achieve it. People have multiple responsibilities, and there are high costs due to training.

Partner MFI

RFL3 partner MFIs function with limited resources, both human and financial. **Staff face competing priorities with regards to their time and day-to-day tasks.** In addition, the cost related to staff training was a hurdle for many MFIs. This is not purely the financial cost but also an operational one in that staff may not be able to perform day-to-day activities while they attend training. **A part of the program design was that the MFIs needed to provide some form of financial commitment.** This was not always possible initially, furthermore, the cost needed to be planned for so that it could be included in the budget for the year. This created further delays.

It was also recognized by both the MFIs and their CP Consultants that implementing the changes required to be fully compliant with all the CPPs will take time, and that making these parts of the everyday activities of MFIs will require further time.

⁶ Onboarding refers to a process in which the MFI leadership is briefed on the program aims and objectives, roles and responsibilities and in particular the role of the CP Consultants.

CHALLENGE 3 SMART CERTIFICATION IS A JOURNEY

RFL3 partner MFIs do acknowledge the value of **Smart Certification**, however there are a number of challenges which prevented them for achieving this certification. Certification requires significant preparation including:

- Identification of gaps in alignment with the CPPs;
- Development of an action plan;
- Addressing these gaps;
- Implementation of the improvements;
- The Smart Certification process of pass or fail is a very narrow approach and makes the achievement of certification very challenging and resource intensive.⁷

While it was planned that some of the partner MFIs would be ready for certification by mid-2020, COVID-19 prevented this achievement. Furthermore, the Smart Campaign is ending in 2020. **There is a large risk that the momentum established during this program will dissipate as the MFIs need to pivot to a new certification process.** There is thus a lack of clarity about next steps with regards to certification and what this means post 2020.

In order for the MFIs to achieve certification, additional financial and human resources will be required. Furthermore, MFIs are not all at the same state of readiness for certification, and thus will require different levels of support. **The MFIs are committed and show continued interest in the certification process and the momentum should be maintained.** That said, they are likely to require additional funding for the next stage as well as ongoing technical support to guide them through the journey with whichever certification agency takes over once The Smart Campaign ends.

SUSTAINING CP MOMENTUM FOR THE RWANDAN MICROFINANCE SECTOR

The legal framework for Client Protection is an important element for ensuring momentum is kept. Indeed, the expected CP Law should see compliance from all MFIs. It should therefore lead to greater competition between the MFIs, as they would be required to disclose pricing which will be a positive development for clients. Given the competing priorities and the cost associated with compliance, without the required legislation, the MFI incentives for adherence and implementation of the CPPs, is limited.

The establishment of a CP Department in the Central Bank is seen as a positive development for the sector. The momentum created by this development should be leveraged to ensure that CP remains a focus amongst policy makers.

AMIR should be a key partner for training and conducting awareness campaigns on the value and importance of CP, across all its members but also among broader stakeholders and MFI clients.

MFIs articulated a high degree of uncertainty about the next steps towards certification in the absence of the Smart Campaign (closing December 2020). MFIs recognize the value of the process and are keen to continue. However, these same MFIs noted concerns about funding (worsened due to COVID-19), and the lack of clarity about another certification agency following December 2020. In addition, some MFIs are eager to complete their certification prior to the Smart Campaign ending. It is recommended that AMIR leverage their own networks to support these MFIs on their continued certification journey.

Stakeholders acknowledged that the **next priority would be to focus on educating clients on their consumer rights.** One of the activities which was halted due to COVID-19 was an AMIR media campaign to educate clients on their rights to provide feedback to their financial services provider. Leveraging on the momentum from RFL3 with MFIs – which all recognize that client education is the next priority – provides a valuable opportunity for AMIR to collaborate with the CP department within the Central Bank to ensure CP is included in consumer education efforts.

⁷ The replacement of the SMART certification will include additional grades to make the process more accessible.

LESSONS FROM THE RFL3 PROGRAM THAT ARE RELEVANT FOR OTHER PROGRAMS SUPPORTING CPP IMPLEMENTATION

Key Considerations Regarding Program Design

- **Conduct an upfront contextual analysis to understand the demand for the program, leverage points, critical actors and stakeholders as well as the relationships and dynamics between key players.** The program should be based on a well-defined needs analysis and program design should be collaborative. CP Consultants and MFIs should be included in the analysis to understand their priorities and needs prior to implementation.
- **Be clear about roles and responsibilities.** Prior to implementation the program should define the roles and responsibilities of all key stakeholders and communicate this to all involved. This helps prevent “scope creep” and ensures that the required activities are implemented in a timely manner.
- **An important element of the program is sustainability and building local capacity.** A core consideration of development programs should always be sustainability. By upskilling local individuals, valuable capacity development is prioritized to ensure the progress achieved is reversed when funding ends.
- **Develop buy-in during program design to ensure incentives for participation and prevent delays during implementation.** Involving stakeholders during the design phase as well as an “onboarding” process for the key beneficiaries or partners supports effective implementation.
- **Leverage the foundation set by the RFL3 program** to build knowledge and understanding of CP within all MFIs in the country. The program has supported stakeholder engagement and developed a Customer Care Mechanism. This momentum should be sustained as the program comes to an end.

Building Buy-In Efficiently

- **Make sure the “incentives” for participating are enticing** and leverage this at the beginning of the program. One way to incentivize engagement is learning exchanges, which also serve as an effective means to provide exposure and improve understanding of program objectives.
- **Be very clear and transparent about the selection criteria for program participation.** This ensures that participants are aware of what is required from them to participate in the program. More similarity between the “status” of different participants also helps program implementors be more efficient.
- **Refrain from requiring financial commitments from the MFIs at the beginning before the partners see the value of the program.** During the initial phases, explain that at some point in the future they will be required to make funds and human resources available for specific program activities. This ensures that partners can accommodate and plan for these expenses within the next annual budget.
- For MFIs, the key considerations for participation in any program is the **value they perceive they will receive from participation.** This further links to the incentives which will support their active engagement whether this been training, capacity building or technical assistance.

