A GUIDE FOR MICROFINANCE ASSOCIATIONS

SEVEN STEPS TO AN EFFECTIVE CODE OF CONDUCT

1. DESIGN
   - Clearly define the values and themes that will structure the CoC.
   - Involve association members and sector stakeholders in the CoC development process.
   - Map out a development timeline and forecast the time each step will take.
   - Draft the CoC.
   - Gather observations and revise the CoC as needed until it is sound.

2. ADOPTION
   - Obtain formal approval for the CoC from the general assembly.
   - Change association bylaws if needed.
   - Present a plan for CoC application to members.

3. APPLICATION
   - Members review their processes and procedures to ensure they are in line with the CoC.
   - Integrate CoC application tasks into the workplan of existing staff wherever possible to optimize resources.
   - Stakeholder groups to engage:
     - Senior management and board of member institutions
     - Junior management and staff of member institutions
     - Non-member MFIs
     - Clients
     - General population
     - Regulator and authorities
     - Partners and investors
   - Stakeholder awareness is crucial for successful implementation of the CoC.

4. BASELINE ASSESSMENT
   - Conduct an assessment to measure the degree of CoC implementation.
   - Discuss findings with members and interested parties.
   - Plan and prepare activities to improve compliance.
   - Timing for a baseline assessment is usually one year after the CoC has been adopted.
   - Follow a research methodology:
     1. Determine the objectives of the assessment.
     2. Select a sample.
     3. Develop research questions.
     4. Choose research method.

5. STRENGTHENING
   - Prioritize common deficiencies to help improve compliance.
   - Where systemic deficiencies are hindering compliance, pursue sector-wide regulatory intervention.
   - Target support to members who have demonstrated commitment to improving practices.

6. MONITORING
   - Establish a compliance monitoring methodology that will be sustainable over time.
   - Draw upon member self-assessments, on-site assessments, complaints mechanisms, and secondary sources to obtain a holistic picture of CoC compliance.

7. REINFORCEMENT
   - Provide feedback to members upon the conclusion of each cycle of compliance monitoring.
   - Report out on compliance to members and key stakeholders.
   - Highlight and reward good performance.
   - Deal with non-compliance.

- **KEYS TO EFFECTIVE SELF-REGULATION**
  - Authority and accountability of the association among members
  - Government support and recognition of self-regulation process
  - Sufficient funding to support all phases of activities
  - Consistency in monitoring and enforcement for all members
  - Avoiding conflicts of interest to maintain fidelity of process

**CODE OF CONDUCT (CoC)**

- Enables associations to increase confidence and trust among stakeholders while creating a positive public image.

**CODES OF CONDUCT MAY ALSO BE KNOWN AS CODES OF ETHICS, CODES OF HONOR, OR CODES OF PRACTICE.**

**STAKEHOLDER AWARENESS IS CRUCIAL FOR SUCCESSFUL IMPLEMENTATION OF THE CoC.**

**EFFECTIVE CoCs ARE A FRAMEWORK FOR ENSURING FAIR EXCHANGE BETWEEN PROVIDERS AND CLIENTS.**

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