

# SEVEN STEPS TO AN EFFECTIVE CODE OF CONDUCT

## A GUIDE FOR MICROFINANCE ASSOCIATIONS

### 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

**CODES OF CONDUCT (CoCs)** ENABLE 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.

### 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 WORKPLANS OF EXISTING STAFF WHEREVER POSSIBLE TO OPTIMIZE RESOURCES.

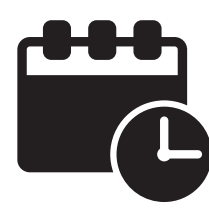
#### STAKEHOLDER GROUPS TO ENGAGE:

- 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.

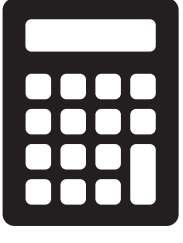


**TIMING** FOR A BASELINE ASSESSMENT IS USUALLY ONE YEAR AFTER THE CoC HAS BEEN ADOPTED.

#### FOLLOW A RESEARCH METHODOLOGY:

1. DETERMINE THE OBJECTIVES OF THE ASSESSMENT.
2. SELECT A SAMPLE.
3. DEVELOP RESEARCH QUESTIONS.
4. CHOOSE RESEARCH METHOD.

**QUALITATIVE:** TO DESCRIBE AND UNDERSTAND FACTS



**QUANTITATIVE:** TO MEASURE FACTS

### 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 PERFORMERS.
- **DEAL** WITH NON-COMPLIANCE.

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

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