

IMPLEMENTING A MARKET SYSTEMS DEVELOPMENT APPROACH FOR RESPONSIBLE FINANCE

Lessons from Rwanda



MICROFINANCE

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

The aim of this learning brief is to:

- Define an MSD approach;
- Unpack how the program used an MSD approach;
- Identify successful elements of the program's MSD approach;
- Identify challenges the program experienced in implementing the MSD approach;
- Extract lessons from the RFL3 program that can be leveraged by other programs implementing an MSD approach

This learning brief has been informed by an in-depth review of the program documentation and interviews with The SEEP Network, the Association of Microfinance Institutions Rwanda (AMIR), and other program stakeholders within and outside of Rwanda. This learning brief starts with an introduction to a Market Systems Development (MSD) approach and showcases the core considerations that need to be taken when designing this approach. It then explains how this was applied in the RFL3 context. This is followed by a discussion of the successes and challenges faced in implementing this approach through the RFL3 program. The learning brief concludes by extracting the lessons from the RFL3 program that are relevant to other programs implementing an MSD approach.

Acknowledgements

- **Aida Gueye**, Client Protection Consultant ¹
- **Aimable Nkuranga**, AMIR
- **Bintou Ka-Niang**, The SEEP Network
- **Bonnie Brusky**, Client Protection Consultant
- **Celestin Nakuredusenge**, Client Protection Consultant
- **Chantal Uwamariya**, Client Protection Ineza
- **Charity Uwase**, AMIR
- **Claudien Nsengimana**, Inkunga Finance
- **Damien Gatera**, Réseau Interdiocesain de Microfinance (RIM)
- **Dative Nzasingizimana**, Duterimbere IMF
- **Donatien Manirarora**, Client Protection Consultant
- **Francoise Gahongayire**, Central Bank
- **Ignace Musangamfura**, Goshen Finance
- **Jackson Kwikiriza**, AMIR
- **John Kabera**, TransUnion Africa
- **Jules Theoneste Ndahayo**, Umutanguha Finance
- **Lamech Nambajimana**, Client Protection Consultant
- **Laurence Uwambaje**, Umwalimu SACCO
- **Marie Claire Umugwaneza**, Client Protection Consultant
- **Mediatrice Mukarugwiza**, Client Protection Consultant
- **Nehemie Zimulinda**, Client Protection Consultant
- **Patricia Uwimbabazi**, Client Protection Consultant
- **Rose Mwaniki**, Client Protection Consultant
- **Ruth Dueck-Mbeba**, The Mastercard Foundation
- **Straton Habyalimana**, The SEEP Network

Thank you to all participants for their contribution to the RFL3 program overall as well as their input to the findings captured in this learning brief compiled by Genesis Analytics.

¹ 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 to support financial institutions in becoming 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

MSD	Market Systems Development
CPP	Client Protection Principles
CP	Client Protection
GRM	Grievance Resolution Mechanism

WHAT IS AN MSD APPROACH?

A Market Systems Development (MSD) approach guides development thinking and action by inspiring systemic and sustainable change. This approach has three key components as detailed below.

COMPONENT 1 OBJECTIVES AND RATIONALE

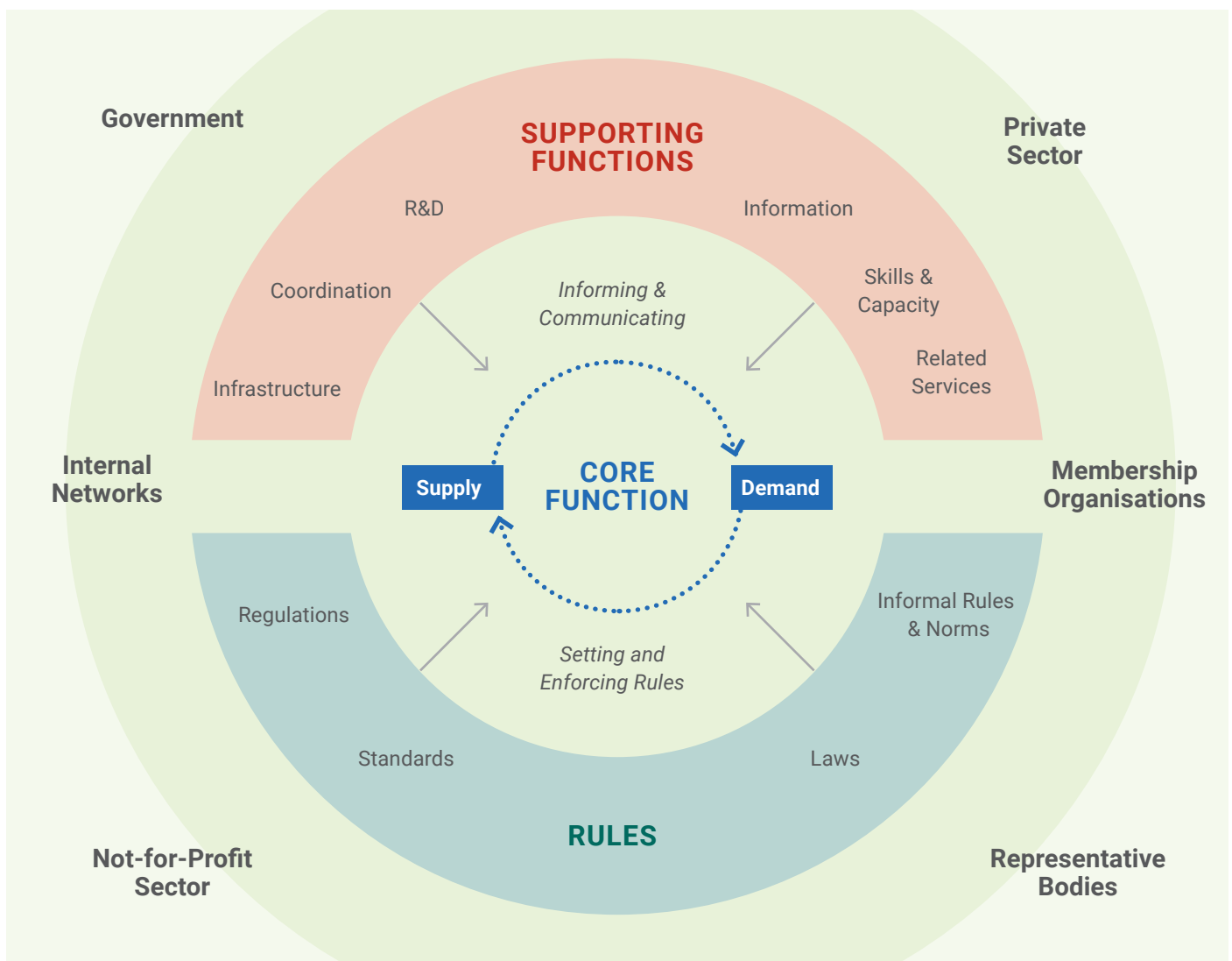
The primary objective of all MSD programs is poverty reduction. They understand the causes of poverty and disadvantage are often systemic and therefore development responses must also be systemic, with change defined in terms of three key aspects:

Sustainability is concerned with long-lasting systemic change. The intention is to change systems so that they perform better in the future without continued intervention.

Scale is the uptake of changed practices by a critical mass of market players and ultimately, reaching a large number of beneficiaries.

Impact is achieved by putting the poor at the heart of program analysis and specifically highlights who the program aims to impact, how, and by how much.

COMPONENT 2 FRAMEWORK FOR ANALYSIS



2

2 Source: The Springfield Centre (2008) A synthesis of the Making Markets work for the Poor (M4P) approach, stylized view of the market system, p. 28.

The graphic alongside depicts the market systems framework, comprising of:

The core: The demand for all goods and services supplied in this market, and the range and scale of providers present in the market.

Supporting functions: These fall outside of the core exchange of a market system, but significantly affect the behaviors, capabilities and incentives.

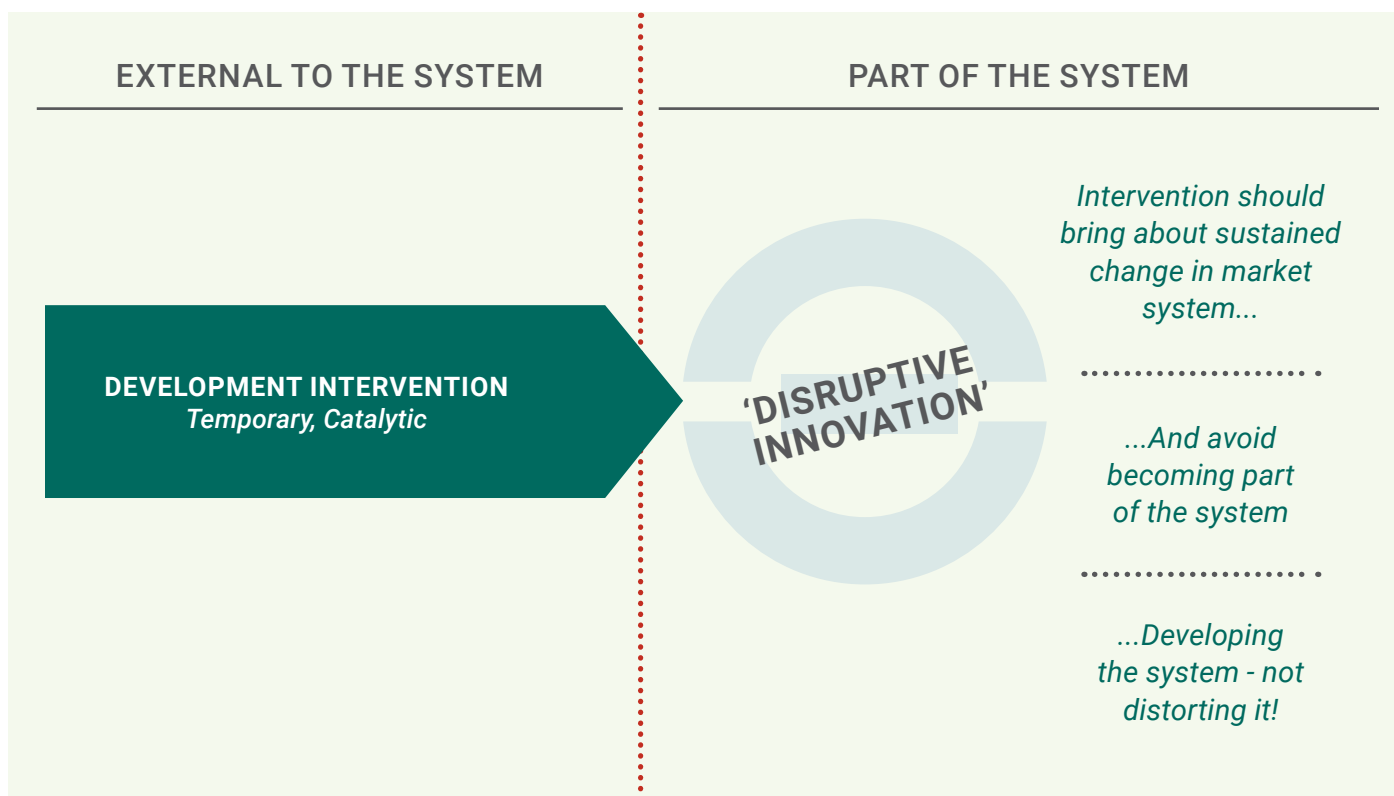
Rules: These are the institutions that shape the operating environment for all market players. They determine who can participate in the market and under what conditions. This also includes the legislative environment.

The root causes of core market underperformance are almost always found in the supporting functions and/or rules components of the wider market system. Therefore, intervening to bring about change throughout a market system usually involves addressing rules and supporting functions.

COMPONENT 3 GUIDANCE FOR ACTION

The third component of an MSD approach is guidance for action, centering on the **idea of 'facilitation' and clarity on roles and actions**. Development interventions seek to bring about sustained change in market systems. As the intervention is temporary, facilitators need to avoid becoming a market player themselves and distorting or 'crowding out' local initiatives. **The intention is that the initiative prompts "a change in the way supporting functions and rules perform actions, ultimately improving the terms of participation for the poor, making the system more efficient and inclusive".**³

Clarity about roles: Part of the system - or not?



An important element of market facilitation is the selection of a facilitator. Facilitators need to have sufficient 'will' (incentive) and 'skill' (capacity) to test innovative ways of working. In general, when facilitating change, it is important that the facilitators too have an interest and propensity to change.

The RFL3 program was designed as an MSD program. This learning brief explores the extent to which RFL3 applied an MSD approach; and reflects on its results against the objectives of sustainable impact at scale.

³ <https://www.enterprise-development.org/wp-content/uploads/m4pguide2015.pdf>

⁴ Source: Adapted from Springfield Centre M4P Training Course, Bangkok, November 2017.

AN MSD APPROACH TO THE RFL3 PROGRAM

In this section, we explore the extent to which the RFL3 program's problem analysis and design were aligned with the MSD approach defined under Component 3 (see page 3).

The Core Market: Rwandan MFIs and their Clients

Prior to implementation, the RFL3 program identified a problem in the MFI sector in Rwanda, namely that **MFI clients were not aware of their rights around CP** and hence could not exercise them. **This is identified as a demand side constraint**, resulting in clients being charged excessive interest rates leading to over-indebtedness, and clients becoming victims of illegal practices such as an unfair seizure of collateral.

In addition, the **MFIs had limited or no understanding of responsible finance and the value of CP, a supply side constraint**. As such, prior to the program there were few incentives for institutions to pursue responsible finance.

These challenges were recognized by the Rwandan government who sought to address this problem through legislation. A **CP Law was drafted**. This, combined with the fact that the MFI sector is regulated, was an important factor for the selection of Rwanda for the implementation of the RFL3 program. **The RFL3 program sought to provide a mechanism to address both the demand and supply side constraints of CP collaboratively, embedded in an MSD program design.**

The program also **identified the key areas where interventions can be made**, including different parts of the system such as regulators namely the Ombudsman and the Central Bank, and financial education providers. In addition, the CP legislation was thought to stimulate a market for technical assistance to implement Client Protection Principles (CPPs) amongst MFIs.

What and who are the market constraints and enablers to CP?

The RFL3 program aimed to drive systemic change by focusing on the limited capacity and awareness of local actors to provide the necessary support services, and on the rules and regulations to improve CP in the Rwandan microfinance sector. During the initial phases of the program, SEEP led a collaborative discussion with key stakeholders in the sector to understand market constraints and enablers to CP. These are outlined in the graphic alongside (see page 7).

SUPPORT FUNCTIONS

As the graphic illustrates, the **stakeholders responsible for support functions are far reaching** including the media, higher learning institutions, investors/funders and donors and civil society. The **support functions to enable CP in Rwanda** included responsible credit information sharing, research and information, access to technology, incorporating CP into financial education, appropriate infrastructure development, networking and a Grievance Resolution Mechanism (GRM) among others.

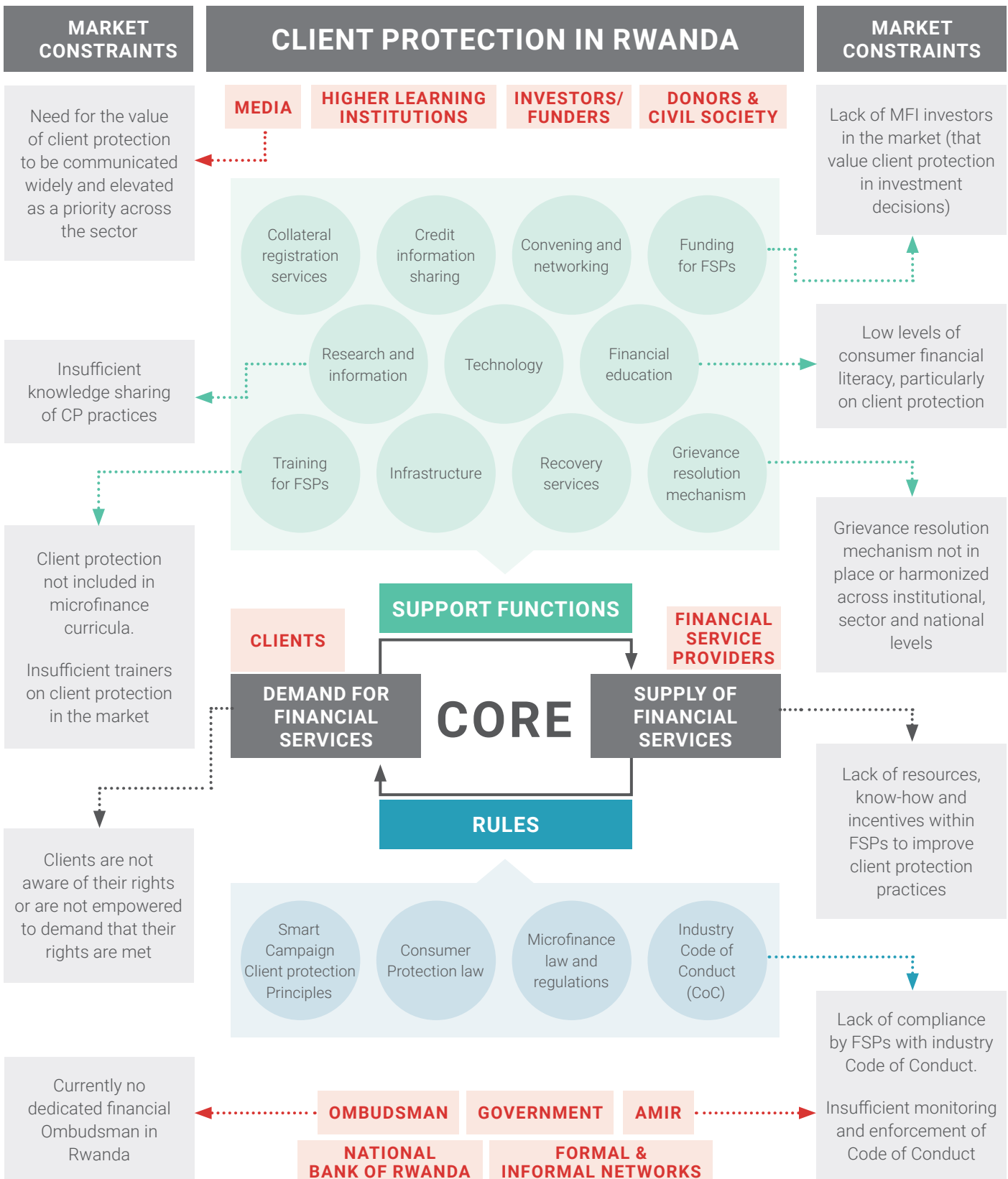
The market constraints hindering these functions included the exclusion of CP in the microfinance curricula, insufficient trainers in this field, the dearth of MFI investors in the market, low levels of financial literacy, the lack of a GRM and finally insufficient knowledge sharing of CP practices.

RULES

Those responsible for implementing the rules within the microfinance sector include the Ombudsman, the government of Rwanda, AMIR, the National Bank of Rwanda and a number of formal and informal network. **The rules are critical to ensure appropriate CP in Rwanda**. These included the Smart Campaign CPPs, the Rwandan microfinance law and regulations, the Industry Code of Conduct, and the anticipated CP Law.

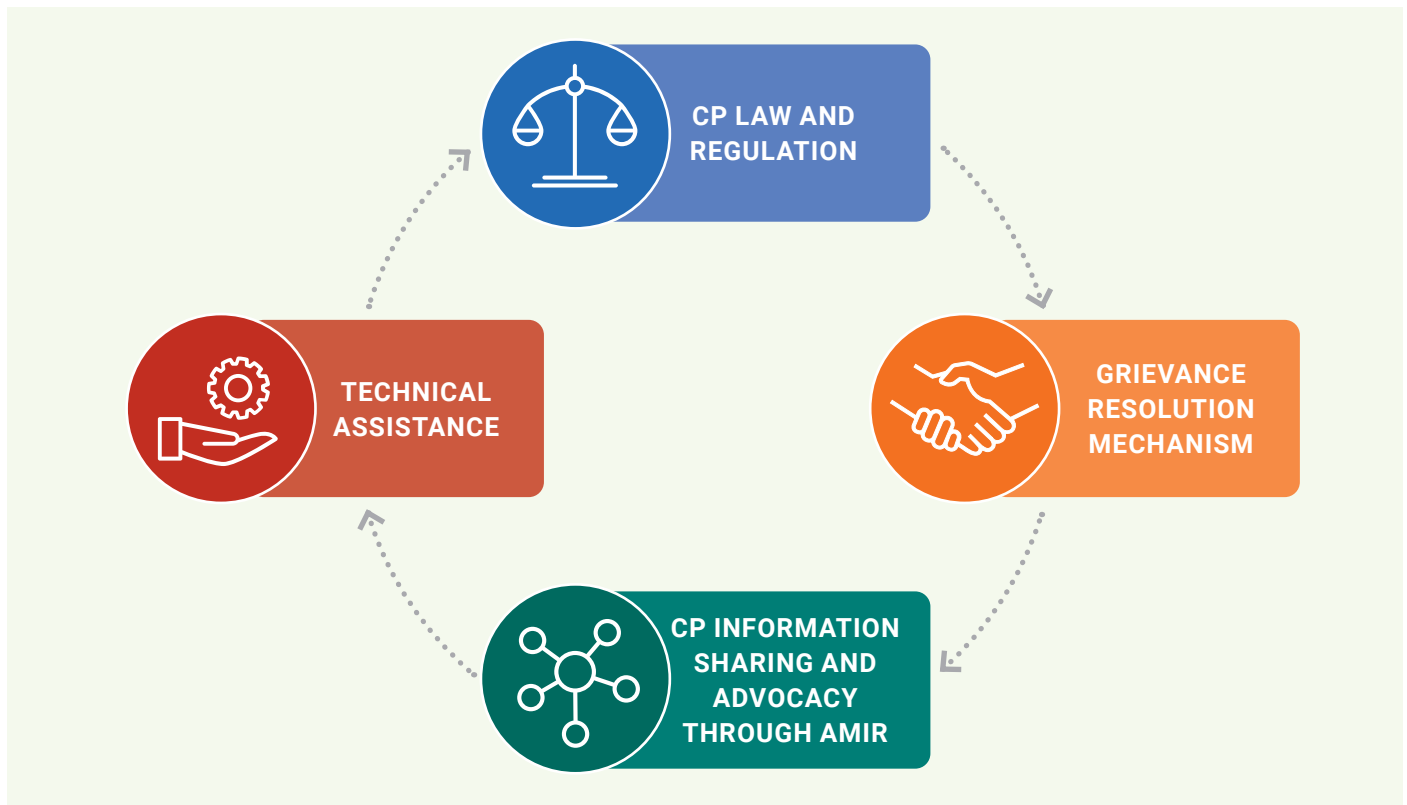
These faced their own implementation challenges. **Separate to the delay in the CP law, there was an overall lack of compliance by AMIR members with the Industry Code of Conduct, due to insufficient monitoring and AMIR's lack of authority for enforcement in the absence of CP law**. Furthermore, there is currently no dedicated financial ombudsman in Rwanda. Without the appropriate change in legislation, the incentives to enforce the required improvements in CP remain scarce.

As described, a plethora of challenges hindered appropriate CP in Rwanda. **The RFL3 program sought to include as many stakeholders as possible to address them.**



Key areas of intervention to support systemic change

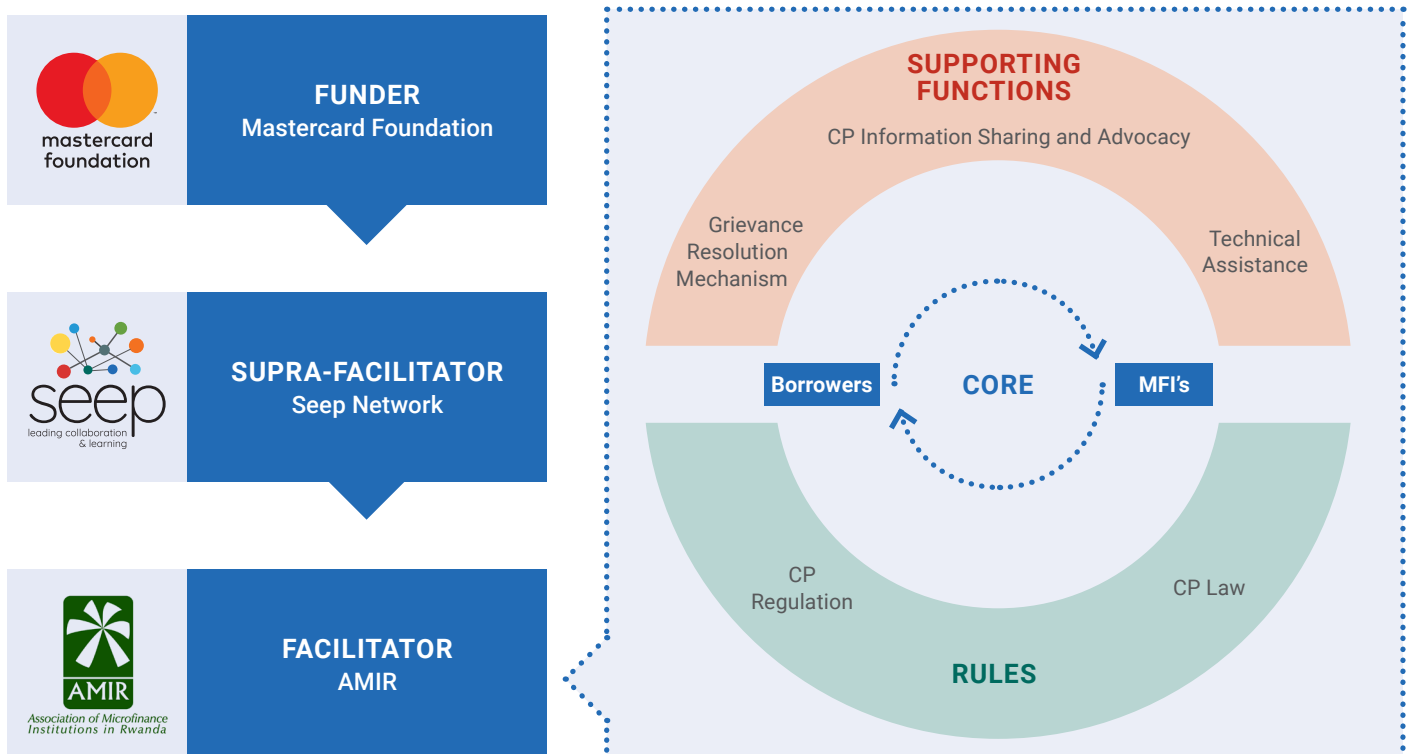
Upon review of the overall program, we can define four key areas that were prioritized and supported an MSD type approach throughout program implementation – illustrated in this graphic:



The next section will discuss how these areas of intervention defined the market system focus and the changes RFL sought to deliver.

How RFL3 sought to facilitate systemic change

The third component of the MSD approach is guidance for action. This centers on the **idea of facilitation and clarity on roles and proposed actions**. The diagram below illustrates the three primary actors in the RFL3 program and their roles, supporting functions and rules envisaged for the program. These are further detailed below – categorized into either rules or supporting functions as areas of possible intervention.



RULES



CP Law and Regulations: Sharpening incentives was an important element to be addressed in the program design to ensure the optimal level of engagement, interest and willingness to improve current MFI performance. In Rwanda, **CP regulation had been drafted and was due to be enacted by the parliament prior to the proposed program implementation** and is considered a trigger intervention within the MSD design. In addition, a Code of Conduct was developed by AMIR. This combined with the fact that the microfinance sector is regulated was an important factor for the selection of Rwanda for the implementation of the RFL3 program. **The CP Laws and regulations would, in turn, create the incentives for MFIs to pursue more responsible finance practices and enable appropriate scale as the regulations would be applicable to all institutions in the microfinance sector, thus creating systemic change.** As such, the anticipated CP laws and regulations were the foundation on which the program was designed.

SUPPORTING FUNCTIONS



GRM: In the absence of legislation enforcing CP compliance within MFIs, or appropriate monitoring thereof, RFL3 saw value in providing the infrastructure for a customer care mechanism, managed by AMIR to collect client feedback. This was intended to support compliance with the above-mentioned CP Law and industry code of conduct as clients could now channel their grievances through this mechanism which furthers MFI accountability to CPP. In addition, it allows MFIs to adjust their products based on feedback received through the mechanism to better meet the needs of clients. The system creates a consolidated report that would show trends, scale of grievances and main areas of non-compliance with CPPs, thus providing AMIR with material for compliance control, advocacy and also development of new products and services to strengthen CP practice in the sector.

CP Information and Advocacy: As noted, one of the core constraints to CP in Rwanda is the lack of information available – both at an MFI and at a client level. Multiple information gaps related to CP were identified, including the level of compliance with CPPs at a national level and markets risks including the extent of credit and over-indebtedness amongst clients.



Technical Assistance: Given the poor levels of understanding of CP within Rwandan MFIs coupled with the lack of available local experts, RFL3 sought to address these problems by training local consultants in CP who would then be paired with an MFI to support their internal adjustments on the road to CP certification. It was intended that this approach would create a “market” between the CP Consultant services (supply) and an MFI’s needs (demand). This “market” creation was not limited to the period of the RFL3 program but would serve to meet the anticipated demand for CP services, stimulated by the proposed CP law. This is how the program incorporated sustainability into its design to support long-term and embedded capacity building.



FACILITATION AND ROLES

The Mastercard Foundation was the funder of the RFL3 program. MSD approaches traditionally require a collaborative and adaptive relationship between funder and facilitator to ensure the applicable adjustments are made as the program is implemented. This is because, as a systems approach, a facilitator has less control over the environment than an implementor and adaptations may be required along the way.



The SEEP Network interpreted their role as a Supra-Facilitator.⁵ This involved establishing a local presence, supporting program activities and recruiting a range of international, regional and local facilitators and advisors to assist AMIR. **The SEEP Network drew on its experience and learnings in other countries** and through the Smart Campaign was able to further support MFIs to address CP gaps with the intention that they would obtain international accreditation. By leveraging existing networks and international best practice the RFL3 program was well-aligned with international programs.



The RFL3 program selected AMIR as the program facilitator. AMIR’s role and their ability to engage with other local actors to help them identify missing or weak functions, was critical for the development of responsible financial markets and to fill gaps. **AMIR functioning as the apex player**⁶ **or scale agent through its role in coordinating, advocacy and information sharing, made it a good choice for the role of a key partner to help scale actions related to CP.** RFL3 recognized the role of AMIR as facilitator to ensure broader sharing and uptake of these concepts. An important element of AMIR’s mandate is advocacy. In this regard, their role was central in linking the MFIs to CP law when it would be enacted and ensuring compliance with new regulations.



⁵ Supra-Facilitator in this context refers to a player providing additional, overarching facilitator capacity.

⁶ Apex player in this context is one that has influence over a large number of relevant players in the system.

SUCCESSFUL ELEMENTS OF THE IMPLEMENTED RFL3 MSD APPROACH

In terms of market system changes, three principal support functions continued for the duration of the program. These are detailed below with their key achievements highlighted. It should be noted that the program implementation incorporated many more components – above and beyond these three, some of which are highlighted in other [RFL3 publications](#). However, for the purposes of this brief – and specifically highlighting the MSD approach – these are the components that were most appropriately aligned with the design and have been maintained throughout the full program period.

Establishing a GRM

Separate from the MFI TA led by the CP Consultants, RFL3 sought to establish a customer care mechanism for client grievances and other feedback, to service all AMIR members. **Access to a reliable GRM is critical for improving and maintaining client satisfaction.** This is central to integrating the CPPs into MFIs and another way for the RFL3 program to prompt positive changes at a system level. The aim was to set up a self-funding and subscription-based platform, in order to make it a sustainable initiative that lives beyond the program.

Similarly, in the absence of the CP laws and regulations being implemented as understood, **building a system which could be used by AMIR members (making up a significant portion of the total number of MFIs in Rwanda) was a valuable opportunity to scale.** Access to information about the resolution of client grievances would also provide a valuable foundation for further learning, advocacy and broader impact.

The GRM is a SATIS 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 via a walk-in visit to the MFI, through SMS, email or by calling a toll-free number. The MFI staff logs the feedback received in the SATIS system. The complaint is then forwarded to the relevant department in the MFI for processing. The department handles the complaint by assigning it to the relevant staff member for resolution. 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 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.**

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.

The SEEP Network



In addition, AMIR is established as the second-tier platform for grievance management, where unresolved MFI clients' grievances/feedback could be forwarded for mediation or escalation to the relevant entities such as the Ombudsman's Office or the Central Bank. AMIR is the owner and administrator of the cloud-based system. AMIR is currently looking into using national data hosting companies to host the system.

DASHBOARD

3 December 2020

Cumulative Statistics

1759

Feedback received

1216

Feedback resolved

543

Feedback being handled

45.5 day (s)

In average to handle a Feedback

1469

Complaints received

1016

resolved complaints

453

complaints being handled

36 day (s)

in average to handle a complaint

290

suggestions received

200

Suggestions addressed

90

Suggestions being addressed

55 day (s)

in average to address a suggestion

132

Denunciations received

88

Justified denunciations

36

Not justified denunciations

8

Denunciations pending processing

0

Total number of inquiries received

421986

Total sms available in the system

Achievements

- ✓ Pilot GRM established in Rwanda
- ✓ Eight MFIs are on the SATIS Platform and AMIR has created a pricing strategy to open access to more members
- ✓ Participating MFIs empowered to provide relevant feedback to their clients in a timely manner
- ✓ Clients have a risk-free means to report concerns or direct queries
- ✓ Information generated is also used to improve products and services.

Improving CP Information Sharing and Advocacy through AMIR

While AMIR was a well-established actor in the microfinance sector, they required some capacity building when RFL3 was launched, especially around the implementation of CPPs. Working together with AMIR, the intention was to build institutional capacity to ensure they could support the education of their members, specifically around CP, and leverage their role as a key advocacy agent to help stimulate these changes within government structures as well. The capacity-building support extended to them included training sessions and upskilling the team. Thus, AMIR was provided with skills to facilitate information dissemination and could engage with other stakeholders such as the Central Bank to advocate for better CP practices.

In short, at the start of the program, **AMIR had the credibility and presence in the MFI sector to act as an effective facilitator.**

Achievements

- ✓ AMIR staff fully trained with CP expertise
- ✓ AMIR integrated CP support and advocacy into their primary responsibilities
- ✓ AMIR continues to be included in discussions around the CP Law and appropriate regulatory steps

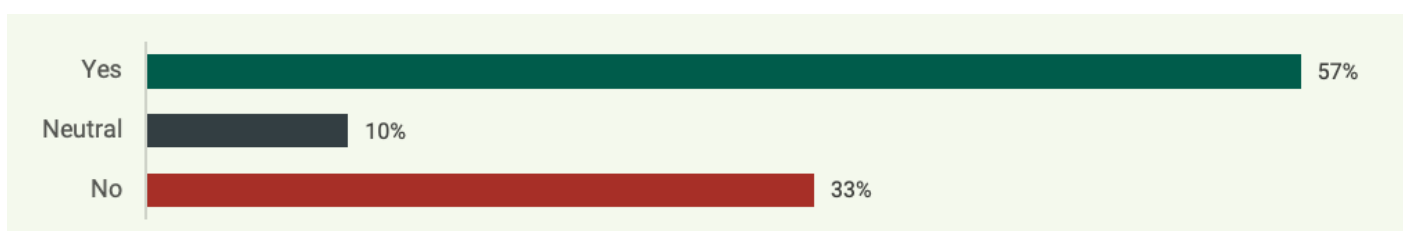
Establishing Local CP Experts and Improving CP Knowledge within MFIs

Thanks to technical assistance, MFIs supported through the program now **understand the value of the CPPs and a more client-centric approach.** Specifically, this includes an understanding of both the financial and social benefits. The reported increase in client satisfaction supports the growth and sustainability of MFIs.

A pool of local CP consultants is available to support the broader MFI sector to implement the CPPs. Prior to the RFL3 program, there were very few local experts available to the MFIs interested in addressing the CPP gaps in their institution. The institutions would be required to hire international consultants at a significant additional cost, which was often a deterrent. With the upskilling and Smart Campaign accreditation of close to ten local consultants, **MFIs now have access to the required expertise and resources at a much more affordable rate.** There has already been demand for these services by MFIs who have observed the positive changes within the MFIs supported by the program.

A survey conducted amongst AMIR members ⁷ revealed that the successful upgrade of CPPs has had a positive influence on MFIs not involved in the program. Close to three out of five (57%) of the respondents indicated that the successful implementation of the CPPs in another MFI (supported by the RFL3 program) made them more interested in implementing the CPPs in their own organization. All respondents indicated that they saw a need for client protection in the microfinance sector in Rwanda.

Successful implementation of the CPPs in another MFI made our institution more interested in implementing CP



⁷ The survey was conducted over four weeks. 61 respondents completed the survey out of a sample of a 100 MFIs/SACCOs who were members of AMIR.

A majority (95%) of the respondents indicated that they implement the CPPs.⁸ The top three reasons cited for why the organization employed these client protection practices were:



Achievements

- ✓ Partner MFIs are now more informed about the value and importance of CP in their relevant institutions.
- ✓ Partner MFIs are motivated to improve the integration of the CPPs into their standard operations.
- ✓ Partner MFIs are becoming more client-centric in terms of product design, operations and business approaches.
- ✓ Clients are now aware of their rights with the next steps being for clients to claim this right.

KEY TAKEAWAYS: RFL3 PROGRAM ALIGNMENT WITH A TECHNICAL MSD APPROACH

- A:** The MSD approach was appropriately aligned in the program design in terms of the three components.
- B:** Operationalizing sustainability was a key priority in the program design and implementation. This was achieved most successfully in the following key areas:
 - Enhancing AMIR CP knowledge and capacity so they can better serve their clients.
 - Developing a workable GRM to support AMIR members with appropriate means to maintain client satisfaction.
 - Training a strong group of local CP Consultants who are willing and able to support MFIs in integrating CP in Rwanda and across the region.
- C:** Scale and sustainability would be driven through the legislative changes implemented by the Central Bank.
- D:** The program was designed to address a well-recognized and wide-scale problem among people in Rwanda, namely lack of knowledge of rights related to CP amongst clients and over-indebtedness.

CHALLENGES EXPERIENCED WHILE IMPLEMENTING AN MSD APPROACH

The CP Law has not been enacted

Rules and regulations are a key component of RFL3's MSD design. However, the **CP Law was not passed as anticipated**, and is still under review. This was an unforeseen challenge, as per communications from government stakeholders, the CP Law was likely to be enacted prior to the program's launch – or at the least – very early into its implementation. As much of the program was designed around this legislation prompting a systems' change, when that failed to occur in a timely fashion, an alternative pathway was required.

Everything was based on assumption that the [CP] law would be passed but it was delayed. The law has been in discussion for 5 years. At the end of 2019, there was a discussion by economic parliamentary committee. Coronavirus has also further delayed the law being passed.

The SEEP Network



The other components of the program – categorized as support functions – had to **pivot sufficiently to ensure that the program still brought value in the absence of the enactment of the coveted CP Law**. This turned out to be the greatest weakness through the program's implementation and was entirely outside of its control.

⁸ While this share is extremely high it is likely that there is a large variation in the application and integration of the CPPs within institutions.

The absence of the CP legislation also hindered the scale envisaged during the program design. The assumption was that MFIs will observe changes within program partner **MFIs and thus would be interested in applying CP in their own institutions**. This was more likely if there had been a legal incentive for mass-uptake of the CPPs. While some MFIs have shown interest in CP, the fact that only seven MFIs were part of the program, in a sector of over 450 MFIs/SACCOs, goes to show an insufficient critical mass for uptake at scale.

Analysis during the design phase was more supply-driven rather than demand-led. The expectation was that the law change would catalyze systems change, meaning that no “Plan B” was developed. Without the legislative driver, MFI motivations to pursue CP certification remain commercial with competing value propositions among the MFIs, and/or social, driven by each institution’s ethics and values.

[We] tried to work with too many stakeholders for a small program. We tried to engage too many actors at government level, too many institutions. This worked on paper but not in practice.

The SEEP Network



There was a conviction that one can’t make a change without involving everyone, everyone needs to play a role. [The] ultimate goal was to reach sustainable results, if the program ends, the players will still engage. Sustainability was the main focus. [We] wanted to see who the institutions involved in the system are, and ensure once program is done, activities continue.

The SEEP Network



MFI Incentives, Timelines and Smart Campaign

The primary flaw with the extended TA was that this component was built on the assumption that the MFIs were incentivized by the obligation to improve CP within the MFIs due to the legislative changes. This deterred MFIs from willingly investing their own resources to implement changes, particularly at the very beginning of the program. Without the CP Law being in place, the responsibility of incentivizing the MFIs to participate in the program fell on the shoulders of AMIR and the CP Consultants which was at odds with a true MSD approach.

As the program comes to an end, there is a question about the sustainability of the TA. This is primarily due to the **financial and human capital which is needed to further implement CP**. For many MFIs the lack of funding after the end of the program may impact their ability to focus on addressing the CPP gaps that have been identified. In addition, the COVID-19 pandemic will lead to competing priorities for limited funding, with CP potentially not a focus during the coming months as the impact of the pandemic on MFIs and their consumers becomes clearer.

Another risk is that the Smart Campaign is coming to an end in 2020 with no clear plan for transition to a new certification program. MFIs have expressed their commitment to becoming Smart certified, however, as the campaign is ending, the next steps for MFIs in their consumer protection journey are unclear. This uncertainty can negatively impact on the commitments to achieving CP and thus the sustainability of the RFL3 program.

The program’s partner MFIs are at different levels of their CP implementation journeys. Thus, some may require additional support from the CP Consultants to reach a point where they are ready for certification. With the end of the TA, **these MFIs may not be able to continue addressing the gaps identified from their action plans and implementing policies developed.** The exception is where MFIs have established in-house staff for this purpose or where MFIs are willing to continue to pay for these services after financial support from SEEP comes to an end.

Delays in the buy-in of the RFL3 program MFIs meant that it took time for these MFIs to see the value of CP in their sector. Such benefits included the commercial incentive of improved customer satisfaction which could lead to an increase in the number of clients, but also the rise in social value from supporting their customers and aligning to their organizational values. The change in the understanding of the value of CP and impact of the MFIs is only now fully recognized and appreciated. Sadly, COVID-19 combined with the program ending may negatively affect the momentum gained to date thus limiting the longer-term impact.

AMIR as a Market Player rather than a Facilitator

In November 2017, AMIR went through a management crisis that negatively impacted the credibility of the organization and undermined its role as facilitator. As a result of these organizational challenges and ensuing restructuring, several staff members left AMIR, resulting in a capacity vacuum throughout the institution. This had an additional knock-on effect on the RFL3 program whose staff became increasingly responsible for day-to-day management.

While contradicting traditional MSD program design, this was seen as essential during this period. Furthermore, without the change in the law, AMIR's role facilitating improvements in CP in the microfinance sector is largely still limited to raising awareness as opposed to enabling direct change as planned.

There were big challenges when management changed. The crisis was challenging. It had multiple dimensions.

AMIR



Sustainability of the GRM

The GRM has been successfully implemented through AMIR. However, its sustainability remains to be seen. Again, **the lack of a CP Law severely impacted the uptake of this solution.** The aim was to set up the subscription-based platform as self-funding in order to make it a sustainable initiative. The membership fee which AMIR wishes to introduce could be used to fund this system. It is unclear where this process currently stands. During engagements with government stakeholders, it was understood that the Central Bank is planning to establish their own GRM. It is hoped that this is established in collaboration with AMIR to ensure the ongoing value of this GRM. In light of COVID-19, it is anticipated that MFIs will need to prioritize other client services ahead of the GRM.

Time required to reach Market System Beneficiaries

The primary weakness in this regard is purely time. **Behavioral change – in this case becoming client-centric – is a lengthy process.** Furthermore, adjusting policies and procedures requires sign-off from multiple stakeholders, re-emphasizing the importance of broad-reaching and well-understood incentives. **All engaged stakeholders agreed that while the program has supported improved CP understanding among partner MFI staff, there is a massive need for to raise awareness and extending CP education to clients themselves.** This is key to the sustainability of CP-compliant institutions – particularly in the absence of legislation and appropriate monitoring. That is, if clients are aware of their rights, and are motivated to secure client-centric services, such interest and drive will in turn motivate MFIs to continue the implementation of the CPPs.

LESSONS FROM THE RFL3 PROGRAM RELEVANT TO OTHER MARKET SYSTEMS PROGRAMS IN CLIENT PROTECTION

An upfront analysis, including a diagnostic of the problem, will ensure a problem-driven rather than solution-led approach. This will allow for adaption, in the event the context changes, a so-called “Plan B”. The analysis also identifies trigger points for when change may be required.

There is a need to recognize the potential risk in partnerships when seeking to achieve sustainable change. Such an approach requires flexibility. A flexible relationship between the donor and implementor supports adaption and ability to pivot, by providing the space for change and an understanding by the donor of the need for flexibility. In addition, project governance should be put in place that allows for such flexibility.

Essential during program design is engagement with all stakeholders. Stakeholders with the most systemic influence must be engaged. Buy-in takes time, and by starting this process during the program design phase, implementation will not be delayed.

It is important to partner with a purpose for an MSD approach. In addition, the partner needs to exhibit characteristics such as independence, flexibility and credibility in order to act as a facilitator in the system. By working with a range of partners, one can also manage and mitigate partner risks. A stakeholder mapping including their sphere of influence, skills and capacity is an important element for partner selection.

Systemic change takes time, and thus one needs to review the sustainability of interventions beyond the life of the program. In addition, understanding the incentives for stakeholders to participate should be a key element of the diagnostics undertaken during the program design. This is also linked to understanding whether the program is relevant within the context where it will be implemented. Being able to pivot when the underlying program assumptions are not met allows the program to adapt to changing circumstances. Selecting the correct partner to deliver the program model related to facilitation is an important element for the MSD approach and should receive careful attention at the design phase.

