

# SMART CERTIFICATION IN NIGERIA

## Lessons for Microfinance Institutions



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This document is based on the lessons that emerged during a study tour attended by a Rwandan delegation to Lagos, Nigeria from August 26<sup>th</sup> - 30<sup>th</sup> 2019. The program was facilitated by FRAGG Investment Management Ltd and guided by the Association of Microfinance Institutions in Rwanda (AMIR) and The SEEP Network as part of the Responsible Finance through Local Leadership and Learning (RFL3) [↓ Program](#).

### The objectives of the study tour were to:

- Understand the road to Smart Certification as experienced by two financial service providers (FSPs) in Nigeria;
- Understand the challenges of becoming Smart Certified and how to overcome them;
- Understand the benefits and shortcomings of being a Smart Certified FSP
- Understand how FSPs maintain Smart certification
- Understand the role, if any, of the Nigerian Microfinance Associations in the certification process;
- Capture lessons learned for Rwandan FSPs looking to become Smart Certified and the role that AMIR can play in supporting this.

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### The study tour was attended by:

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- **Nnaemeka Nwachukwu** - Grooming Centre, Head of Executive Support
- **Genesis Analytics** - Learning Partner to the Responsible Finance through Local Leadership and Learning Program
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### We would like to extend a special thanks to all the organizations that hosted delegates of the study tour:

Grooming Centre, LAPO Microfinance Bank, MicroRate and the National Association of Microfinance Banks (NAMB).

**Cover Photo** kenliffiton

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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](http://www.amir.org.rw) @AMIR\_Rwanda



### About The SEEP Network (SEEP)

SEEP is a global learning network. We support strategies that create new and better opportunities for vulnerable populations, especially women and the rural poor, to participate in markets and improve the quality of their life. Founded in 1985, SEEP was a pioneer in the microcredit movement and helped build the foundation of the financial inclusion efforts of today. In the last three decades our members have continued to serve as a testing ground for innovative strategies that promote inclusion, develop competitive markets, and enhance the livelihood potential of the worlds' poor. SEEP members are active in more than 170 countries worldwide. [www.seepnetwork.org](http://www.seepnetwork.org) @TheSEEPNetwork



### 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

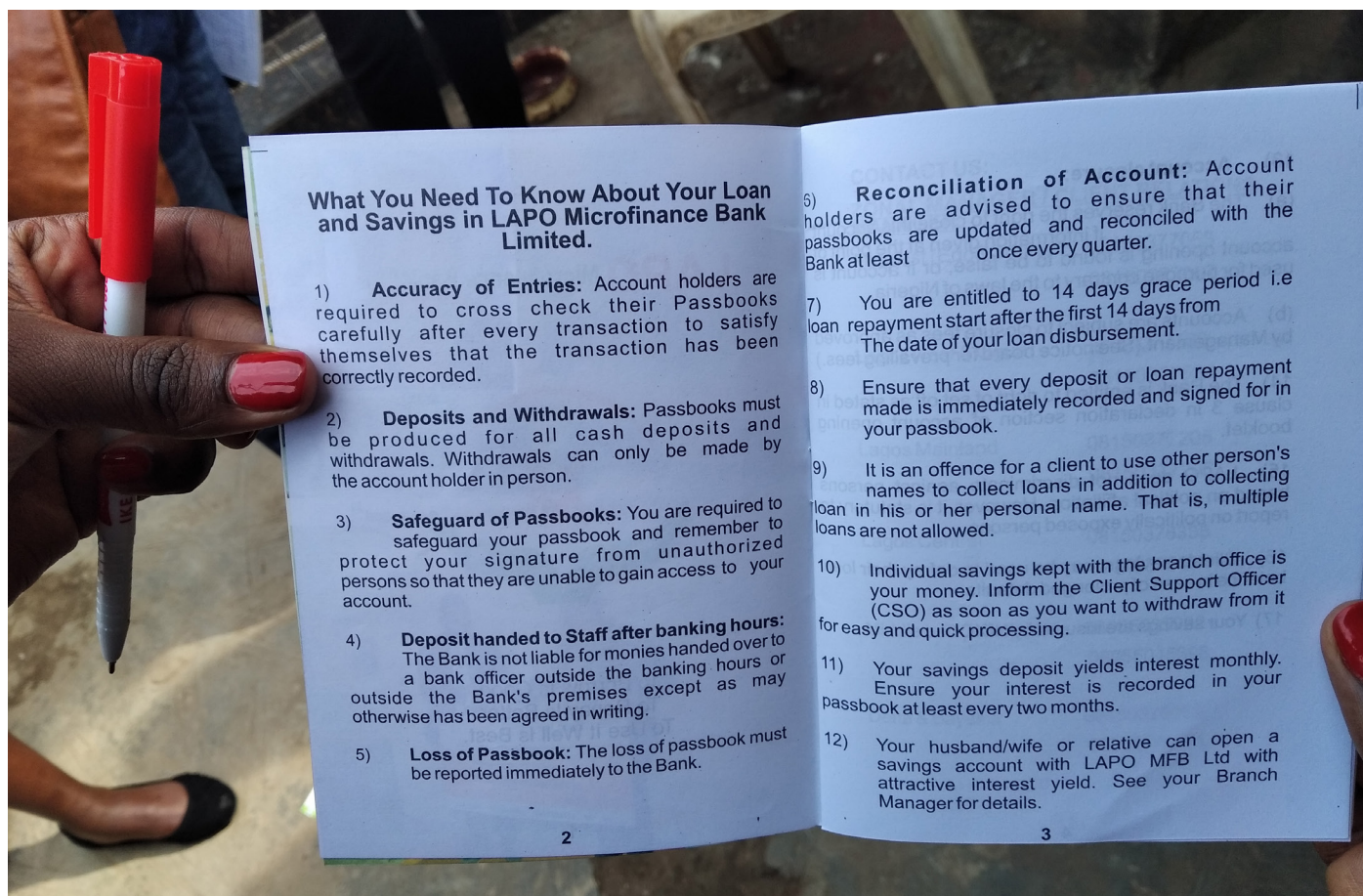
AMIR	Association of Microfinance Institutions in Rwanda
CP	Client Protection
CPP	Client Protection Principles
FSP	Financial Services Provider
KPI	Key Performance Indicators
MFI	Microfinance Institution
NAMB	National Association of Microfinance Banks
NGO	Non-Governmental Organization
RFL3	Responsible Finance through Local Leadership and Learning Program

The Responsible Finance through Local Leadership and Learning (RFL3) Program has been working in Rwanda to scale client protection (CP) and includes a strategic axis on building the capacity of a few Association of Microfinance Institutions in Rwanda (AMIR) members to upgrade their CP practices.

SEEP and AMIR have been working with seven local financial services providers (FSPs), supporting them through assessments, training, technical assistance and coaching, thus helping these FSPs revise, create and implement policies and procedures that integrate CP aspects. As the FSPs became more engaged in this upgrade process, SEEP and AMIR decided to organize a study tour to provide them with an opportunity to learn from and experience the operations of FSPs that have gone through similar upgrade processes that have led to their being certified on the Client Protection Standards promoted by the Smart Campaign.. This study tour took place in August 2019 in Lagos, Nigeria.

The study tour featured two Nigerian FSPs, Grooming Centre and LAPO Microfinance Bank. The objective was to provide practical insights on how certification was achieved and is being maintained, and how these FSPs' success can be replicated by others. The study tour included field visits of the two FSPs, meetings with FSP clients, as well as with MicroRate, a Smart-accredited certifying body, and Nigeria's National Association of Microfinance Banks (NAMB).

This learning brief starts with an overview of the client protection principles, the client protection certification program, and the certification process. It then showcases the experiences of Grooming Centre and LAPO in their Smart Certification journey. This is followed by an overview of the key lessons that emerged from the study tour, both for participating Rwandan FSPs and for AMIR in terms of how to best support FSPs in improving their client protection practices.



### Client Protection Principles

The *Smart Campaign* supports responsible financial inclusion by providing financial institutions with the tools and resources needed to deliver transparent, respectful, and prudent financial services to clients. The Smart Campaign identified seven *Client Protection Principles* (CPPs) that help FSPs act responsibly, employ respectful collection practices and adopt high ethical standards in the treatment of clients. These are the minimum standards that clients should expect from FSPs.

#### The seven Client Protection Principles <sup>1</sup>



##### Appropriate product design and delivery

Providers will take adequate care to design products and delivery channels in such a way that they do not cause clients harm. Products and delivery channels will be designed with client characteristics taken into account.



##### Prevention of over-indebtedness

Providers will take adequate care in all phases of their credit process to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing).



##### Transparency

Providers will communicate clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.



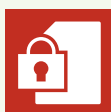
##### Responsible pricing

Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable. Providers will strive to provide positive real returns on deposits.



##### Fair and respectful treatment of clients

Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their staff and agents, particularly during the loan sales and debt collection processes.



##### Privacy of client data

The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.



##### Mechanisms for complaint resolution

Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.

### Client Protection Certification

*Client Protection Certification*, also referred to as Smart Certification, is an independent, third-party evaluation that publicly recognizes financial institutions that adhere to the CPPs. Smart Certification was launched in 2013 through extensive consultations with financial institutions, consumer protection experts, investors and regulators. The Smart Campaign has developed a group of experts who can support financial institutions in their certification journey with training and third-party assessments to prepare for certification. To become Smart-certified, the institution needs to be evaluated by a Smart-accredited Certification Body and comply with the indicators corresponding to the **25 standards of care for client protection**.

<sup>1</sup> Smart Campaign (2016) Client Protection Certification Standards  
[https://www.smartcampaign.org/storage/documents/Tools\\_and\\_Resources/Standards\\_2.0\\_English\\_Word\\_for\\_Website.pdf](https://www.smartcampaign.org/storage/documents/Tools_and_Resources/Standards_2.0_English_Word_for_Website.pdf)



## THE ROAD TO SMART CERTIFICATION

### The step-by-step certification process

A licensed certifier conducts the certification process, using the Smart Campaign's assessment methodology. The guidance below is from *MicroRate*, a licensed certifier that has experience conducting certification missions across the globe, including Nigeria.

MicroRate follows a five-step certification process.

- STEP 1** **Preliminary analysis:** The certifier sends an information request to the FSP to share key documents such as strategic plans, credit manuals and board meeting minutes.
- STEP 2** **Desk review of documents:** The certifier reviews all the documentation and assesses compliance of these documents against the applicable principles and standards.
- STEP 3** **On-site assessment:** The certifier conducts an on-site assessment of the FSP, which includes meetings with the FSP management team, board members and field staff. It also includes field visit observations and focus group discussions with clients. The site visit typically takes five days.
- STEP 4** **Develop the preliminary report:** During this step, the certifier drafts the preliminary report which explains the FSP's assessment score. This is a detailed report that specifies which processes and policies were reviewed and how these scored against the assessment indicators. The report highlights any gaps, and identifies corrective measures that can be implemented to overcome these gaps.
- STEP 5** **Final decision:** If the FSP is compliant with 100% of the indicators, then the certifier sends the report and supporting information to the Smart Campaign for the final certification decision.

**Regulatory environments and contextual factors affect FSPs' client protection practices.** For example, should the central bank be delayed in their processes around client protection, this may influence FSP's processes. As such, the certification process takes these into account, together with the FSP's internal systems, process, culture and practices.

The following three options are available if the results from the five-step process above indicate that an FSP is not compliant.

- 1** **OPTION 1: "Conditional Certification":** This applies to FSPs that only have a few indicators that need to be addressed and that MicroRate believes can be addressed in less than four months. Where this is the case, FSPs are able to receive their certification **on condition** that they implement the recommendations within four months, as determined by MicroRate. If this does not occur within the agreed time frame, the certificate will be suspended.
- 2** **OPTION 2: "Progress Phase":** The FSP has four months to implement the recommendations stemming from the assessment process, and in doing so, meet all the standards. MicroRate conducts an additional site visit, when required, to confirm that the adjustments have been made. The report is then updated and resubmitted to the Smart Campaign. If non-conformities remain open after the four-month period, the certifying body will **deny the certificate** until a new certification mission happens.
- 3** **OPTION 3: "Longer term corrective actions that require new certification mission":** This is for FSPs that have a number of indicators which require attention, and which MicroRate believes will take more than four months to address. Under this option, the FSP can seek additional support with implementing the recommendations and re-apply for a new certification mission when they are ready to do so.



## EXPERIENCES OF GROOMING CENTRE AND LAPO

*Grooming Centre* and *LAPO Microfinance Bank*, two FSPs in Nigeria, were Smart Certified in February 2016 and March 2019, respectively. The following section presents their experiences on the certification process, the benefits thereof and the challenges they faced.

### LAPO Microfinance Bank

#### OVERVIEW

LAPO Microfinance Bank (LAPO) was established in the late 1980s as a Non-Governmental Organization (NGO) and received approval from the Central Bank of Nigeria in 2012 to operate as a microfinance bank. Today LAPO is a pro-poor FSP which is committed to empowering low-income households through the provision of access to responsive financial services. LAPO is socially-driven, aiming to improve lives and serve clients with trust and respect.

#### MOTIVATION FOR BECOMING SMART CERTIFIED

LAPO is one of the ten original FSPs in Nigeria. Today, they are a prominent player in the FSP sector. For many Nigerians, LAPO is synonymous with microfinance. LAPO pursued Smart Certification because they viewed it as core to running an effective, socially-responsible organization, rather than to improve their market share or the external perceptions of their operations. In parallel to this, LAPO's donors and other partners were increasingly putting pressure on LAPO to become Smart Certified, which further supported their decision to become Smart Certified. Smart Certification was noted as being key to achieving a more client-centric culture change because it ensures that the CPPs and respective processes are internalized and incorporated across all aspects of the organization.

#### CERTIFICATION PROCESS

LAPO noted that the certification process was time-consuming and stressful. One of the most important factors in the certification process, as identified by LAPO, was getting buy-in from across the organization. LAPO found the best way of achieving this was by identifying people on the Board who were committed to certification and encouraging them to drive and support the process. This was also achieved by developing a Board standing committee that was tasked with driving the process and reporting back to the full Board. Similarly, having commitment from the Chief Executive Officer (CEO) was noted as being crucial to getting the required levels of engagement and buy-in.

One of the main areas LAPO focused on was the training of their staff, particularly in relation to aligning staff to the CPPs and the values therein and embedding these in their daily operations. This was led by a team of 'champions' that reported directly to the CEO. These champions helped to build momentum in the certification process.

LAPO also noted that the level of detail and documentation required for certification was more than they originally anticipated. For example, if LAPO engaged with a client about a loan and the client chose not to take the loan, that engagement was previously undocumented. However, with Smart Certification, all engagements, including if the client chooses not to take the loan, have to be documented. This required that LAPO develop new systems and processes for documenting engagements that were previously undocumented.

LAPO noted that one of the challenges they faced in the certification journey was not having another organization in Nigeria to learn from and to share their experiences with. They indicated that being able to engage with an organization that had been through the process would have been valuable.

If you want to be seen as a viable MFI, and one aligned to human rights, there is a need for such a certification.

LAPO, CEO



The certification process was very stressful and demanding.

LAPO, CEO



We took a lot of things for granted. We assumed it was obvious, however, even the obvious information needs to be documented for Smart Certification.

LAPO, CEO



## COST OF CERTIFICATION

LAPO applied a number of times for their certification as they did not receive it the first time. Each time they applied they had to pay for this. In addition to the cost of the certification mission, LAPO also incurred the opportunity cost of the preparation thereof, particularly in terms of staff time that went into the preparation process. In light of this, LAPO indicated that it was an expensive exercise to undergo. However, despite the expense thereof, LAPO felt that the costs were worth the reward of being certified as a socially-responsible organization.

## OBSERVING A SMART CERTIFIED FSP

**When visiting a LAPO branch, there were a number of client responsive practices that were immediately apparent. These included:**

- Displaying posters about the CPPs around the branch.
- Having a suggestion box available for clients to provide suggestions to LAPO for improvement.
- Including the number for the call center as well as the number for the branch on client passbooks, together with all other avenues for grievance resolution..
- Displaying the interest rate where it is accessible to everyone. Pricing information was displayed on a cork board where the information could be easily changed.

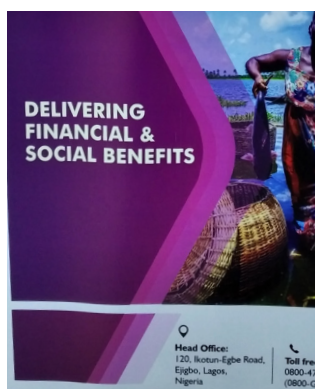
Customer satisfaction is of upmost importance to LAPO. As such, they have a number of mechanisms through which they assess client satisfaction and their grievances. These include attending branch meetings, having the suggestion box and a number where clients can lodge their suggestions/complaints, encouraging clients to engage with the client support manager, and running a client satisfaction survey.

## BENEFITS OF BEING SMART CERTIFIED

LAPO's certification was awarded in March 2019. As such, a comprehensive assessment of the benefits thereof is premature. To date, they have not seen any tangible financial benefits of certification, however, they indicated that they had been awarded grants on the basis of them engaging in the certification process, and that these grants will likely continue going forward because of the certification. They expect that by implementing the CPPs, clients will be happier with their products and their experiences with LAPO and that this in turn will result in demand from other clients. One interesting observation was that the LAPO interest rates were by no means the lowest on the market. This does not appear to be a hurdle as the clients understand they are receiving so much more than purely the loan. They have a client-centric, client-positive experience.







## Grooming Centre

### OVERVIEW

Grooming People for Better Livelihood Centre, or “Grooming Centre,” was founded in 2006 as an NGO to mobilize resources and offer financial services to the entrepreneurial poor who had little or no access to conventional forms of financial services. Their mission is to empower the economically active poor by providing them with tailored financial services.

### MOTIVATION FOR BECOMING SMART CERTIFIED

One of the factors that motivated Grooming Centre to become Smart Certified was their interest in becoming more transparent. Grooming Centre indicated that there was a growing need for transparency, as illustrated by the increasing number of regulations and regulators. Smart Certification was noted as being instrumental in showing one’s commitment to transparency. Similarly, Grooming Centre noted that certification helps to ensure that they are providing quality services to their clients and abiding by ethical practices.

[One of the reasons to be Smart Certified is that it is a] stamp of approval.

**GROOMING CENTRE, CEO**



### CERTIFICATION PROCESS

Grooming Centre stated that the certification process was rigorous and stressful. However, going through the process, they learned a number of things that would make the process easier for others. Grooming Centre’s experiences and their key takeaways are captured below.

The process requires commitment from across the whole organization, and having commitment and buy-in at the management level is particularly important. To support buy-in across the organization, Grooming Centre implemented an internal team of champions to drive the process and ensure that all staff were on-board. This was a cross-functional team of staff many of whom had been at Grooming Centre for between 6 and 12 years, and included people who understood client protection and the organization and were committed to the success of the process.

This is not something which can be done by one person alone. Everyone must be fully committed.

**GROOMING CENTRE, CEO**



One of the success factors for Grooming Centre was the development of CEO-approved action-plan to address the CP weaknesses. This plan included a range of stakeholders’ inputs, including the CP champions, operational staff and strategic staff, to develop a detailed, realistic approach to overcoming the areas of CP weakness. The plan also outlined incentives to encourage staff to implement the corrective actions and deterrents to discourage staff from implementing adverse CP practices. In terms of incentives, the plan outlined specialized training opportunities, career growth opportunities and fast-tracked promotions for staff who showed a particular affinity to implementing CP practices. The main deterrent was a zero-tolerance policy for the implementation of non-compliant CP practices that was implemented in conjunction with the incentives. The plan was practical, implementable and well-communicated across the organization, which was key to its success.

Grooming Centre indicated that the process was “information intensive”, requiring more documentation and information than they previously had on record. This was an important learning as it required new systems and processes to be established. Grooming Centre scored 77% on their first rating and were given three to four months to address the gaps, where after they were awarded their certification. Based on this, they learned that doing an internal, candid assessment would have been valuable to identify their own gaps and apply solutions to these prior to the certification process.

## COST OF CERTIFICATION

While the process was noted as being expensive, Grooming Centre indicated that this investment was necessary. The process was funded using a commercial loan. However, there are institutions that reportedly sponsor the certification process.

Certification is expensive. But any growth or strategic expansion requires financial investment.

**GROOMING CENTRE, CEO**

## OBSERVING A SMART CERTIFIED FSP

When visiting a Grooming Centre branch, there were a number of client responsive practices that were immediately apparent. These included displaying brochures that have information on products and services both in English and local languages.

Client satisfaction is also of upmost importance to Grooming Centre. In addition to the suggestion box, they have a toll-free number that clients can use to report any suggestions or grievances. Clients were familiar with these grievance mechanisms and reported that Grooming Centre will often call them back after they have complained to understand the issue in more detail.

Clients were also aware of their rights and reported being comfortable with how Grooming Centre manages their transactions, noting that it has a client-centric approach. In addition, as a core function of the Smart Certification process, all senior staff – including the CEO are required to conduct 20 calls to clients a week. These calls are random – they are not limited to clients who have complained – and are designed to ensure the relationship with Grooming Centre is maintained. This provides an additional opportunity for the client to voice concerns, should they have any.

Grooming staff call us back after we have complained to understand more.

**GROOMING CENTRE, CLIENT**



Opened the flood gates of funding.

**GROOMING CENTRE, CEO**

CPP doesn't mean you don't do your work, it just changes the lens through which you view your work. Everything is focused on the client.

**GROOMING CENTRE, CEO**

Pricing is not such a risk in Nigeria. Yes, it should be competitive, however, what will drive growth is service and products.

**GROOMING CENTRE, CEO**

## BENEFITS OF BEING SMART CERTIFIED

Grooming Centre indicated that they have had more funding prospects as a result of their Smart Certification. While this was not a challenge for them prior to the certification, this may be of relevance for other FSPs.

Another benefit of being Smart Certified is that it motivates employees to provide high quality services, which in turn facilitates more user-friendly products and more satisfied clients, which indirectly leads to a growing client base. Additionally, and in line with Grooming Centre's NGO-background, one of the benefits of being Smart Certified is that they are more inclusive and more transparent in their operations.

Grooming Centre also indicated that the demand in Nigeria for FSP services is very large. As such, differentiating oneself through competitive pricing is not as relevant as in other markets. Instead, Grooming Centre indicated that their growth is driven by service and products, which means that Smart Certification is particularly valuable in this context. This is perhaps even more relevant in contexts like Nigeria where debt collection practices have not always been client-centric and have often been conducted in a manner which is to the detriment of the client.



## MAINTAINING SMART CERTIFICATION

Having received their certification in February 2016, Grooming Centre has a number of learnings about maintaining their certification, which was stated as being similarly stringent. One of the main points that were raised was the need to prioritize communication with clients and remain abreast of how their needs change over time. Additionally, documents and policies need to be updated regularly. Sometimes, however, this is not practical given the frequency of the updates, for example interest rates that change frequently require that the brochures be reprinted to reflect these changes. Sometimes a change would occur and this would be misaligned to printing timelines, requiring that newly printed materials be reprinted. An example given was when Grooming Centre printed some documents on 1 January, and an update was required on 30 January, which required a full re-print. As a means to resolving this, Grooming Centre drafted a letter of commitment which indicated that they would make the change prior to the next print.

## ASSESSING CONSUMER PROTECTION PRACTICES

While Smart Certification is the 'gold standard' for illustrating an FSP's compliance with the Client Protection Principles, there is a continuum of assessments that can be done prior to, or instead of, full Smart Certification, in order to evaluate an organization's client protection practices. Identifying which of these assessments an organization should implement depends on the financial and human resources an organization can set aside for this and/or the availability of a consultant to evaluate and help accompany the improvement of client protection practices.

The three options include:

**1 A self-assessment.** This provides an overview of major client protection strengths and weaknesses, is done internally by staff at the organization, and is relatively low cost. The assessment tool is free and there are many resources available online to support the process, but naturally it requires time and effort on the part of staff. A self-assessment is particularly useful for organizations starting their client protection journey as they can identify their areas of strengths and weaknesses at the outset and develop course correction strategies in a timely manner. It is also useful for organizations looking to assess their progress in applying client protection standards and to ascertain whether or not they are ready for certification. It should be noted that a self-assessment's value depends on the staff conducting it being fully committed and honest about practices in the institution.

**2 An accompanied self-assessment.** This similarly identifies major client protection strengths and weaknesses, which are documented in a report that is externally validated by an accredited client protection assessor. This assessment costs more than the self-assessment but is still relatively cost efficient as it is done by an organization's internal staff together with one person trained in the Smart Assessment methodology. An accompanied self-assessment is valuable for organizations that are wanting to pursue certification, as it brings an external objectivity that is not easy to achieve in a self-assessment.

**3 A Smart Assessment.** A fully external assessment conducted by two accredited client protection assessors. A Smart Assessment documents an organization's client protection strengths and weakness in an in-depth narrative report. It requires more financial resources than the accompanied self-assessment due to the two-person team. A Smart Assessment is best suited to organizations that have identified Smart Certification as a strategic short- or medium-term goal for their institution. Full commitment from all management and operations is required to facilitate the Smart Certification process.







## SMART CERTIFICATION LESSONS FROM NIGERIAN FSPS

The following lessons have been extracted from the above case studies of LAPO and Grooming Centre and the engagements held during the course of the study tour. While country contexts vary and comparisons are not always possible, it is useful to identify lessons and success factors from the Nigerian FSPs that can be adapted and applied by other FSPs that are looking at Smart Certification.

**Assess readiness for Smart Certification and the availability of financial resources prior to certification.** FSPs should determine whether to undertake a self-assessment, an accompanied self-assessment or a Smart Assessment, and whether to pursue certification. Additionally, FSPs should do a self-assessment as an internal check of their client protection practices to identify areas for improvement in a timely and efficient manner.

**The benefits of certification can be intangible and indirect.** The benefits of certification include being more client-centric and socially-responsive. This means that FSPs are more responsive to clients' needs, both in terms of the products available and the services provided, which translates into greater demand for the FSPs' services and a greater client base. This benefit, however, is often not tangible or quantifiable. Where funding is relevant, certification is also important to showcase FSPs' commitment to client protection, which is becoming increasingly important to funders.

**Learning from others who have been certified is valuable.** Understanding exactly how the process works and building on others' successes and learnings from undergoing the process is invaluable. Reading about experiences like those of LAPO and Grooming Centre and engaging with Smart Certified FSPs can help FSPs increase their chances of success. Additional information about the Smart Campaign and lessons from other FSPs who have completed the certification process can be found [here](#). Following the study tour, a Whatsapp Group was established for the Rwandan delegates to share their experiences and learnings with client protection within their own institutions. Such forums are valuable sources of peer learning.

**Having commitment and buy-in from senior leadership is essential.** The certification process requires commitment across all staff within the organization. Obtaining this level of commitment is best achieved through senior buy-in and establishing certification 'champions'. For example, having the CEO and senior members of the Board committed to Smart Certification is key. As the CEO cannot always be present, establishing certification 'champions' that check in with departments, follow up, re-engage, re-train and report back to the CEO is also important. These champions need to be seen as representatives of the CEO who enjoy his or her full support, in order to drive the certification process internally. The champions, in partnership with the CEO, should also be responsible for reporting back to the Board on progress and building support and commitment to the process within this core governance structure.

**Doing a candid internal assessment before the certification process is valuable.** This serves as an internal check, to determine what needs to be done to achieve certification. Being truthful and critical when doing this assessment is key to developing a holistic understanding of the areas for improvement for Smart Certification. This helps to save time and resources when the certification process commences.

**Developing an action-plan that is approved by the CEO with defined roles and responsibilities promotes efficient and clear steps towards certification.** This plan should be practical, implementable and well communicated. This plan should include both incentives and deterrents to support the shift in culture towards one which is client-focused and aligned to the Smart Certification process. Strong leadership is needed to support this change management process. Examples of incentives include: specialist training, access to career growth opportunities and fast-tracking promotions. This should be implemented together with a zero-tolerance policy for any non-compliant client-staff engagements.

**Staff training is an integral part of the certification process.** Implementing training programs and upskilling staff in areas where CP weaknesses are identified is a big part of achieving compliance with the certification standards. Training staff on client protection values and the values of the organization, and ensuring that these are upheld is important. Such training should be led by one of the 'champions' that reports to the CEO, as this signifies commitment to the process. Due to both staff turnover, and the need for 100% compliance across the organization, repeat training is often necessary.

**Documenting systems, processes and policies is important.** Many organizations have systems and processes that are undocumented but still understood across the organization. Smart Certification, however, requires that these be documented formally regardless of regulatory requirements.

**The process can be costly.** The cost of certification is based on the size of the FSP, usually ranging between \$12 500 and \$20 000. This can also be influenced by the preference of the FSP with regards to the number of analysts that support the certification process. If the FSP is not certified the first time, this cost can be incurred multiple times.

**Achieving compliance can be time consuming.** Changing processes, systems and procedures takes time. For example, if there are one hundred branches and an FSP is required to have a declining balance on loan applications, getting all the branches to adjust, inform their clients and update all the documentation takes time. Take this example and multiply it by 20 other changes of this type, and you get an idea of the long journey required to prepare for certification.

**Embedding client protection practices into staff performance Key Performance Indicators (KPIs) is useful.** This helps to ensure ongoing commitment to client protection throughout the organization. Examples of relevant KPIs include rates of client retention, reasons for clients leaving, time taken to respond to client complaints and complaint resolution rates.

**Certification is the first step of a much longer journey.** Being awarded Smart Certification indicates that the FSP is accountable to the highest international standards. This means that once certified, these same principles need to be maintained. This is where the role of the champion committee is truly critical – ensuring that the CEO, board and staff retain their commitment to the values enshrined in the CPPs. If these principles are not maintained, there is a risk of de-certification.

**Maintaining and growing a Smart Certified FSP can have time and resource implications.** The process itself is costly and at times laborious, but it also adds more complexity to every-day operations.

**The following were flagged as concerns with maintaining Smart Certification:**

- Regular and repeat trainings are required to ensure all new staff are on-boarded correctly and to ensure that the CPPs are fully integrated into all forms of the FSP culture. This can lead to frustration among staff members who are required to attend frequent trainings.
- As changes are enacted, the forms need to be updated, reprinted and redistributed. To aid in overcoming the time that it takes to update such forms, the Smart Campaign does provide a 'grace period' for these changes to be implemented.
- FSPs have to stay abreast of clients' changing needs and update and align policies, services and products as relevant. While this is of relevance to all FSPs, it is of particular relevance to any FSP aiming to maintain certification.



#### VOICES FROM THE CLIENT

"We know we have rights and our ledger records all our financial transactions. If there are any discrepancies, we can contact the CEO, go to a branch or phone the toll-free line. The staff always calls us back if we have registered a complaint. Grooming is different – it's not just about the loan. It's about our lives. We are a family!" – **Grooming Centre client, Lagos.**

"We know our interest rates and our rights. We can choose how long we repay our loan so it suits us. My interest rate is different to hers because I am paying my loan off over a different period. But we are still part of the same union. We trust each other. We always pay."  
– **LAPO client, Lagos**

#### VOICES FROM THE RWANDAN DELEGATION

Lessons learnt and which they hope to implement in their own FSPs

"Putting in practice the CPP is possible for an FSP like mine, only commitment is needed."

"Even certified FSPs must constantly keep on checking their practices to maintain or improve consumer protection, and client satisfaction."

"To get certification, I must be engaged, involve the team, and implement the procedures and manuals we have. Smart Certification does not only attract investors, but also helps staff to gain skills to improve their performance and service delivery."

"It is important to put in place a strong and committed champions team to prepare for certification."

"It is important that the top management believes in consumer protection and teach by example to own the process."



## LESSONS FOR AMIR

The National Association of Microfinance Banks in Nigeria did not have a particular role in the certification process of FSPs in Nigeria. Despite this, a number of lessons were shared regarding the support that such an association can provide in the certification process.

**These lessons are relevant for AMIR in how such an association can raise awareness of Smart Certification, encourage and support FSPs in this process.**

- Associations have a valuable role to play, acting as an advocate for FSPs with regulators, clients and other sector stakeholders. As such, associations prioritizing CP at a sector level enhance both the likelihood and ability of FSPs to secure certification themselves.
- Associations should promote compliance with client protection practices to support awareness, buy-in and commitment from FSP's senior management.
- Associations should support FSPs by housing, documenting and sharing learnings on client protection practices.
- To encourage cross-learning, associations should facilitate knowledge sharing between FSPs that are starting their Smart Certification journey with others that have gone through the process.
- Associations should consider providing training to FSP staff on client protection practices. This will both support the FSPs and can be a revenue generating activity for the association.
- Just as FSPs should prioritize communication channels with their clients – a core priority of Smart Certification - associations should prioritize communication with their members to ensure that they can provide services that are aligned with what members need. An example may be providing a centralized platform for complaint resolution for all FSP members. This has an additional value-add for associations as FSPs are more likely to pay their dues timeously if they see and experience value with their association membership.

**The Responsible Finance through Local Leadership and Learning Program** is a four-year program being implemented in Rwanda by The SEEP Network, in collaboration with AMIR and the Mastercard Foundation. The program's goal is to scale the application of consumer protection principles for low income financial service customers by promoting an enabling environment through collaboration among a wide range of private and public sector stakeholders. This learning brief was developed as part of the program's learning agenda.







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