

European Code – lessons learnt from implementation

Microfinance Centre

3 November 2016



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Webinar Objectives

- To present the Code and evaluation process
- To discuss how effectively institution can conduct self-assessment
- To discuss the most challenging issues and proposed solutions
- To identify technical resources addressing most common gaps

The Code

Customer
& investor
relations

Governance

Risk
management

Reporting
standards

MIS

Type of clauses

- Priority clause



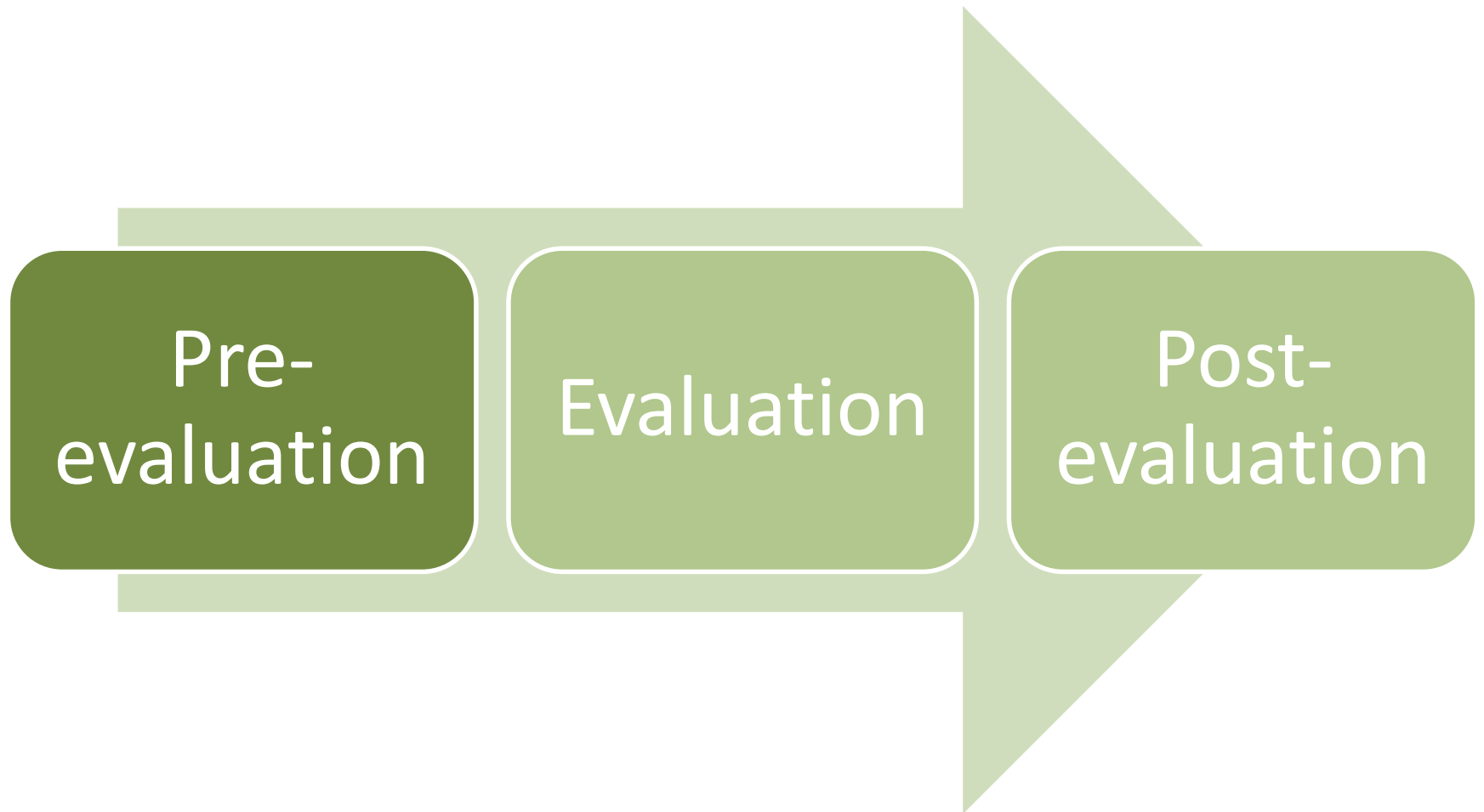
- Level of difficulty



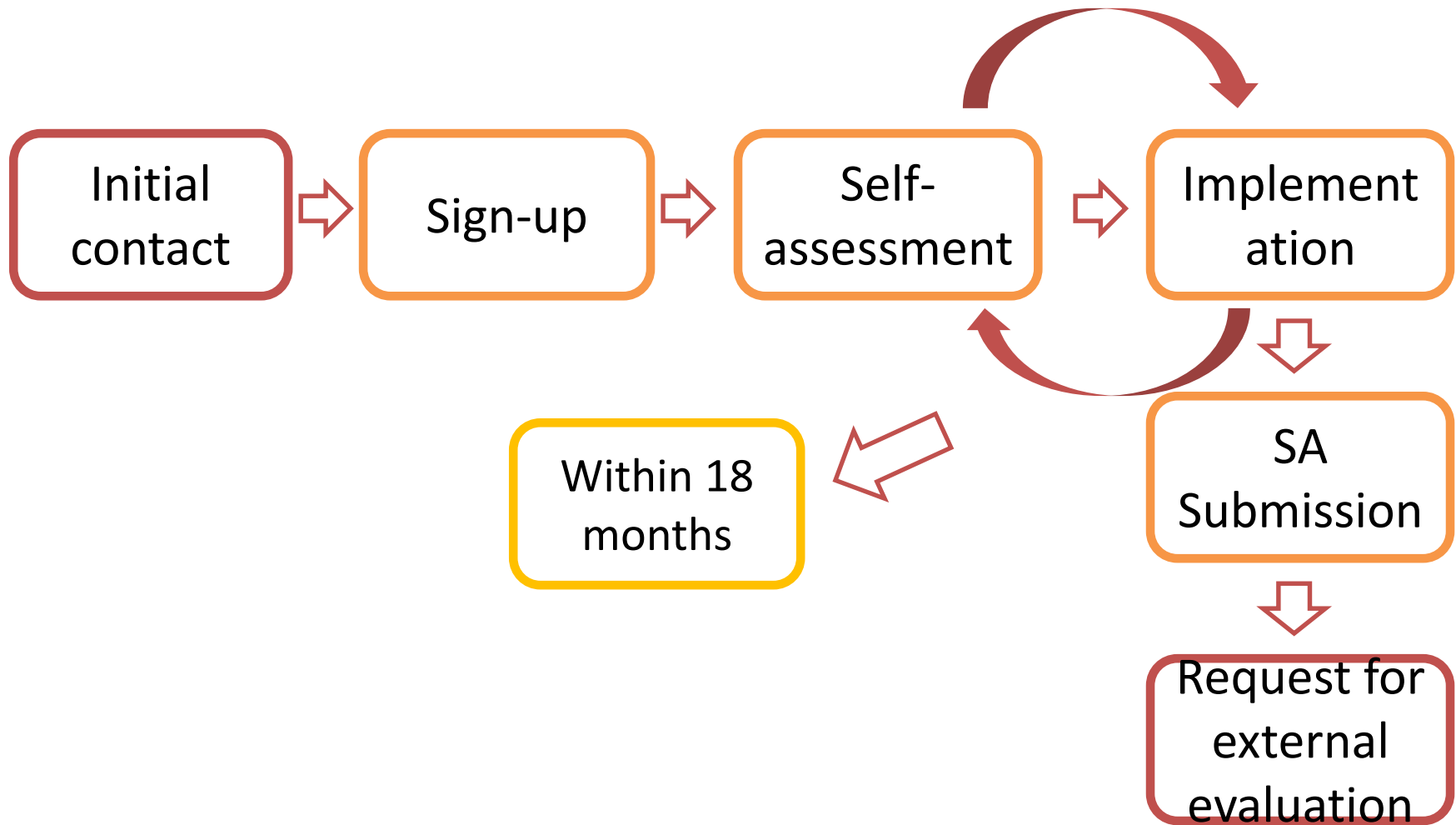
- Large provider only



3 steps evaluation process



Pre-evaluation



Example

Clause	Guiding questions	Comments	Suggested evidence of compliance	Applicable to the Institution	Compliance ?	Provider comments - compliance
Inform borrower without delay of non or under-payment	How are borrowers informed of non- or under-payment? Is the medium appropriate for the client group?	System and procedures ensuring that borrowers with non- or under-payment exceeding one month's credit are informed without delay through appropriate medium	Credit or lending policy; Customer and investor policies or documents	Yes	Yes	System and procedures in place to inform clients about non or under payments: phone calls, written notifications sent on a weekly basis.

FI involved

- Signed up: 53 MCP
- Interested in TA: 37 MCP (70%)
 - TA completed: 16 (43%)
 - TA in proces: 11 (30%)
 - TA to be scheduled: 10 (27%)
- External assessment: 3 (6%)

Conducting effective self-assessment

1. Assign a team or designated person who will provide data
2. Assign time to do it
3. Check applicability of all clauses
 - If applicable – provide supporting documentation
 - If not applicable – provide an explanation
4. Submit data to MicPro
5. If TA is needed, contact MFC team (aldona@mfc.org.pl)

Post evaluation

Scenario 1:

The MCP meets all the Priority clauses (P) and 80% of the weighted total of the clauses (GLOBAL MARKING)

• **PASS** 

• The MCP gets the Award

Scenario 2:

The evaluator identifies some gaps to be fixed

the MCP has **four months (TBD)** to meet the global marking and to show evidences to comply with the clauses (can access support from TA provider)

Evaluator reviews evidence of changes and provides a new recommendation to the EU steering committee

Lessons Learnt – challenges and solutions (1)

Challenges	Solution
Difficulty with the understanding of the meaning of the Code clauses	Helpdesk, TA, peer support
Overwhelming length and complexity of the self-assessment tool	Divide the process into smaller parts and steps
Repetitive nature of the clauses and overlap between different sections of the self-assessment tool	Pay attention to potentially repetitive clauses and be consistent in your responses
Mistakes in the self-assessment tool descriptions and formulas	Helpdesk, TA, verify that you have the latest version of the tool

Lessons Learnt – challenges and solutions (2)

Challenge	Solutions
Doubts with regards to the priority clauses which cannot be met based on the local laws and regulation	Well -grounded explanation why priority clause does not apply
Difficulty in adapting the Code clauses by various types of providers (diversity of business models, legal forms, ownership structures and operational policies)	Seek legal counsel to find comparable interpretation of the Code
Partial compliance with the clause requirements	Detailed justification

Key gaps among FI

- **HR manuals**
- **Internal control**
- **Data security and consumer protection**
- **Calculation of sustainability ration**
- **Succession planning for executive management**

Resources (CP)

SmartCampaign

- [Smart Operations](#)
- [Tools recommendations spreadsheet](#)

Resources (by operations)

SP Fund:

- webinars recordings on SP by operations (HR, Marketing, Operations, IA, Finance)

<http://www.mfc.org.pl/en/content/online-trainings>

- SP Fund case studies

<http://mfc.org.pl/case-studies-2/>

Resources (HR)

Case studies:

- VF AzerCredit's Code of Ethics: Putting Values into Practise
- FindDev Azerbaijan: Retaining key Staff through a pay for performance culture
- Muktinath Bikas Bank group (Nepal) training manual for Staff: supporting informed client decision

Tools:

- [Human Resources Policy \(Nirdhan, Nepal\)](#)
- [Staff performance appraisal form \(FINCA, Azerbaijan\)](#)
- [A toolkit for designing and Implementing Staff Incentive Schemes](#)

Resources for Internal Audit/Internal Control

- **Smart operation: see chapter on Operations: Appropriate roles for 11 areas of microfinance operations.**

<http://www.smartcampaign.org/tools-a-resources/796>

- **Smart Note: Facing Over-indebtedness at Partner Microcredit Foundation**

http://smartcampaign.org/storage/documents/Tools_and_Resources/Over-indebtedness_Partner.pdf

- **Imp-Act Guidance Note: Internal controls and audit: Integrating SPM into microfinance capacity building**

http://sptf.info/images/internal_control_guidance_note.pdf



Questions



Upcoming Webinars

19.11 – MF and start-ups - summary

16.11 Financial Inclusion Ambassador Toolkit

21.11 MFC sector overview 2016 – MFC/EMN survey results

23.11 Borrow Wisely Campaign 2016 results

30.11 EMD 2016 – results of the action

Thank You!

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