



Completion Report

Project Number: 48253-001
Technical Assistance Number: 8643
August 2016

Implementation of Microfinance Industry's Client Protection Principles

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TA Number, Country, and Name: TA 8643-REG: Implementation of Microfinance Industry's Client Protection Principles			Amount Approved: \$200,000	
			Revised Amount: N/A	
Executing Agency: ADB		Source of Funding: FSDPSF	Amount Undisbursed: \$80,133	Amount Utilized: \$119,867
TA Approval Date: 28 Apr 2014	TA Signing Date:	Fielding of First Consultant: None	TA Completion Date Original: 31 Oct 2015 Account Closing Date Original: 31 Oct 2015	Actual: 30 Jun 2016 Actual: 29 July 2016
Description				
<p>Microfinance client protection has been drawing increasing attention in recent years from all stakeholders of the industry, including policymakers, microfinance service providers, borrowers, and civil societies. With the transition of the microfinance industry toward commercial operations and financial sustainability, client protection became an issue due to lack of transparency in loan pricing, over-indebtedness of borrowers, and alleged abusive debt collection practice by certain microcredit lenders caused by market-driven approaches not properly placed under an effective customer protection framework.</p> <p>Cognizant of the critical role of client protection, microfinance industry leaders around the world came together in 2008 to agree on a set of Client Protection Principles, which have been promoted and developed by Smart Campaign¹, addressing seven elements² with 95 indicators. A large number of microfinance institutions (MFIs) have endorsed the Smart Campaign, which signifies their commitment to the Client Protection Principles. Meanwhile, the number of endorsing MFIs and their clients represent only a small fraction of MFIs in operations and clients reached by the microfinance industry.</p> <p>The S-CDTA provided a Smart Campaign's client protection certification program to MFIs in six ADB's developing member countries (DMCs) selected from five ADB regions: Azerbaijan, India, the Kyrgyz Republic, the Lao PDR, Myanmar, and Papua New Guinea. The training program was a useful tool to enhance broader and higher level implementation of the Client Protection Principles.</p>				
Expected Impact, Outcome, and Outputs				
<p>Impact: The TA was expected to enhance MFIs' capacity to implement the client protection principles that would help foster client relationships built on trust and provide better financial services to the clients, in particular low-income households and women. The TA targeted 60% of participating MFIs that improve their governance and implement the Smart Campaign's Client Protection Principles.</p> <p>Outcome: The TA expected MFIs to acquire better understanding of microfinance client protection principles and relate this to their current operations. The TA targeted all participating MFIs that identify the gaps in their policy in relation to the client protection principles.</p> <p>Outputs: The TA was intended to complete trainings on the updated client protection principles, assessment indicators, and certification standards for Smart Campaign's Client Protection Principles. The TA targeted the completion of 6 training programs with an average of 30 participants each from December 2014 to October 2015, and at least 80% of the participants that receive certificate for completion of the training. Upon the request from participants, the TA also prepared the assessment program of their practices vis-à-vis the minimum standards under the Client Protection Principles, and the support for them to engage in further elaborated certification program.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The Smart Campaign is working with microfinance leaders to provide the tools and resources they need to deliver transparent, respectful, and prudent financial services to all clients. The Smart Campaign is an initiative of the Center for Financial Inclusion at ACCION International, and the only provider of globally recognized set of client protection principles for MFIs. Following the consultation with OSFMD and OGC, ADB (SDCC) signed the service contract with ACCION International, USA, on 9 June 2015 for implementing training on microfinance client protection principles in designated DMCs.</p> <p>Upon the approval of the TA, the project team (SDAS) coordinated with ADB operations departments, including resident missions, to help identify which countries can participate in the trainings and selected the above-mentioned 6</p>				

¹ Smart Campaign, launched in October 2009 under ACCION International (a New York based not-for-profit corporation), is a global movement to embed a set of client protection principles into the fabric of the financial inclusion sector.

² (i) appropriate product design and delivery, (ii) prevention of over-indebtedness, (iii) transparency, (iv) responsible pricing, (v) fair and respectful treatment of clients, (vi) privacy of client data and (vii) mechanisms for complaint resolutions.

DMCs from five ADB regions with balance, considering MFIs' social impact on rural and national economies.

ADB operations departments³ are the implementing agencies, and closely coordinated these training programs with counterpart countries, ACCION International, and SDAS (executing agency). ACCION International implemented the training programs, accommodating the needs from each country, and dispatched an appropriate trainer for each program who is familiar with regional/country contexts. The training services offered by ACCION International and the coordination made by ADB departments as the executing and implementing agencies were satisfactory.

40% of the allocated TA budget was not disbursed. The estimated cost was largely saved as local counterpart institutions partly financed and coordinated the programs. The TA was extended from October 2015 to June 2016 due to the time-consuming task of arranging training schedules with local counterpart institutions and the political change (Myanmar).

Evaluation of Outputs and Achievement of Outcome

Based on the contract, Smart Campaign conducted training programs on microfinance client protection principles in designated six countries. All programs were successfully completed and received well by all participants: (1) Papua New Guinea, Port Moresby, 21–23 October 2015; (2) India, Mumbai, 2–3 February 2016; (3) Azerbaijan, Baku, 17–19 February 2016; (4) Lao PDR, Vientiane, 25–26 February 2016; (5) Myanmar, Yangon on 22 March 2016 and Nay Pyi Taw on 25 March 2016; and (6) Kyrgyz Republic, Bishkek on 30 March 2016 and Osh on 1 April 2016. Upon the request from country counterparts, two separate programs were initiated for Myanmar and the Kyrgyz Republic. The training at Nay Pyi Taw, Myanmar, was a workshop for microfinance regulators, which addressed model legal framework on microfinance client protection. The training in the Kyrgyz Republic targeted two different groups of microfinance providers: small and medium financial institutions at Bishkek and rural communities (Jama'ats) at Osh. The training included the experiential learning method such as role plays and group exercises, which helped participants understand client protection issues and develop their own solutions.

The primary audience for the training program was MFI senior management and staff responsible for implementing MFIs Code of Conduct. The TA targeted around 30 participants from MFIs for each program and such target was almost achieved: Azerbaijan 21 participants, India 28 participants, the Kyrgyz Republic 21 participants (combined two areas), the Lao PDR 30 participants, Myanmar Yangon 112 participants from 70 institutions, Myanmar Nay Pyi Taw 31 participants, and Papua New Guinea 27 participants. In Myanmar, the country counterpart (Myanmar Micro Finance Association) accommodated the strong demand on training from MFIs, providing a large space for training. All participants successfully received certificate for completion of the training.

Through the training, we perceived the strong demand on continuous training on microfinance client protection principles. In the Lao PDR, for instance, this ADB-Smart Campaign training program was the first official intervention on microfinance client protection and the country counterparts (Bank of Lao PDR and Microfinance Association) requested continuous ADB support in this area.

At the end of the training, the evaluation survey for the program was conducted in four countries. We had no chance for conducting the survey in Azerbaijan and the Kyrgyz Republic. The following is the result of participants' feedback. Overall training received the rating of 4.5 out of 5 on average of four countries, leaning towards excellent.

Overall Assessment and Rating

Successful. Based on the criteria in the Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations, the training program under this TA was *highly relevant* with participating DMCs' strategies on the microfinance industry development. Selected six countries have placed microfinance client protection in a policy priority. The Azerbaijan central bank has promoted the microfinance industry for reducing poverty, where consumer protection is a key area to be strengthened. India has launched the MFI ordinance at the state level (Andhra Pradesh) and the Reserve Bank of India set the Fair Practice Code. The Kyrgyz Republic has a mid-term Microfinance Development Strategy which addresses consumer protection. The Lao PDR has established a taskforce for a decree on consumer protection to promote sustainable operations of MFIs. Myanmar has enacted the MFI Law and holds a greater attention to consumer protection. Bank of Papua New Guinea supervises the microfinance industry and has attached importance to consumer protection, where ADB's Microfinance Expansion Project has supported increased participation of micro enterprises in the formal financial system. The training timely supported their microfinance policy implementation. ADB's Special Evaluation Study on Microfinance Development Strategy in 2012 called for increased support to consumer protection to make microfinance more demand-side oriented and more beneficial for the borrowers. This training has helped MFIs acquire appropriate knowledge and skills on client

³ Responsible ADB staff in operations departments: Ms. Kelly Hattel, Southeast Asia Department, for Myanmar and Lao PDR; Mr. Nail Valiyev, Azerbaijan Resident Mission, Central and West Asia Department, for Azerbaijan; Ms. Gulkayr Tentieva, Kyrgyz Resident Mission, Central and West Asia Department, for the Kyrgyz Republic; Ms. Sabine Spohn, Pacific Liaison and Coordination Office in Sydney, for Papua New Guinea; and Mr. Hasib Ahmed, Private sector Operations Department, for India.

protection and realize their sustainable outreach to the traditionally underserved clients with the delivery of high quality services. The training was *highly effective* through the delivery of training modules elaborated following the demand from participating DMCs, which helped them effectively improve their own consumer protection issues. Meanwhile, the TA was *less than efficient* because of the long preparation period of selecting countries for training and concluding the legal agreement with ACCION International. The TA is *likely sustainable*, given that trained MFIs develop their Code of Conduct, referring to the Smart Campaign's Client Protection Principles.

Major Lessons

Knowledge partnership and collaboration with Smart Campaign as the center of excellence in financial inclusion was an effective way of enhancing MFIs' capacity for implementing the client protection principles in DMCs. While the Myanmar counterpart was able to make a special arrangement for the training so as to accommodate MFIs demand as much as possible, the training program had basically maximum 30 participants from microfinance providers in the manner of taking first 30 registrations, meaning that we couldn't accommodate all registrations from various stakeholders. In the Lao PDR, for instance, we received the request from participants to organize the similar training for other MFIs and stakeholders. The size and modality of training will need to be reconsidered. The long preparation period of the TA was partly attributed to drafting the service purchase contract from scratch with intensive discussions with ACCION International and ADB's relevant departments, which took longer time than expected. As we have a modeled contract, if the similar training project is planned at ADB, the implementation would be much faster.

Recommendations and Follow-Up Actions

Given the faster-moving technology, microfinance instruments and services available for low-income households have been diverse, while a new risk set associated with technology-oriented services for microfinance borrowers has come out, requiring sophisticated microfinance client protection measures and education for MFIs. With the perceived demand on continuous ADB support in MFI client protection, more focused follow-on training activities at the national level would be worth consideration. Regulator workshops and training for trainers on microfinance client protection principles would need to be further encouraged. These can be provided as part of the ADB microfinance expansion project modeled on the Papua New Guinea project.

TA = technical assistance.

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Appendix: Evaluation Survey Result for the Training Program

Items	Azerbaijan	India	Kyrgyz Rep.	Lao PDR	Myanmar		PNG
					Yangon	Nay Pyi Taw	
The training was well planned and organized.	n/a,	4.5	n/a,	4.6	4.5	4.6	4.7
The curriculum of the training was useful.	n/a,	4.2	n/a,	4.4	4.5	4.8	4.8
The training methodology was appropriate.	n/a,	4.5	n/a,	4.5	4.4	4.6	4.7
Materials used were appropriate.	n/a,	4.4	n/a,	4.3	4.2	4.7	4.5
Facilitators were capable and knowledgeable.	n/a,	4.5	n/a,	4.7	4.6	4.6	4.9
Facilitators addressed participants' questions and needs.	n/a,	4.2	n/a,	4.6	4.4	4.4	4.4
Participants actively participated in the sessions.	n/a,	4.4	n/a,	4.4	4.5	4.5	4.6
The training offered useful tools and perspectives for my work.	n/a,	4.3	n/a,	4.5	4.4	4.6	4.7
The exercise in the workbook was effective.	n/a,	4.4	n/a,	4.3	4.2	4.7	n/a,
Overall average score	n/a,	4.5	n/a,	4.5	4.4	4.6	4.7

(Notes) five scale criteria: 1- poor, 2- below average, 3- satisfactory, 4- good, 5- excellent.