

## Supporting improved compliance with the Universal Standards in Uganda<sup>1</sup>



AMFIU



### INTRODUCTION AND BACKGROUND

Knowledge and practice around social performance management (SPM)<sup>2</sup> in the Ugandan microfinance sector are nascent but growing — with increasing interest among stakeholders translating into increasing demand for information on what it is, how to do it and how to assess effectiveness. As the national association, AMFIU has for the past five years supported its members to institutionalize SPM, and this year began to assess members' compliance with the new Universal Standards for Social Performance Management.<sup>3</sup> This case study documents the practical process that AMFIU has taken to support members to increase compliance with Dimension one of the Universal Standards (Define and monitor your social goals). This case study has been written for other microfinance associations that aim to support their members around Dimension One, but is also relevant for microfinance providers that wish to improve compliance in this area. This case has been documented as part of the Microfinance Center (MFC)'s Social Performance Fund<sup>4</sup> support to the Association of Microfinance Institutions of Uganda (AMFIU).<sup>5</sup>

AMFIU launched its SPM work in 2008 after a presentation by the SEEP network<sup>6</sup> during our annual conference. At the time, the Ugandan microfinance sector's image was poor, with unscrupulous MFIs and SACCOs cheating clients, and a number of MFIs transforming and becoming more commercially-oriented at the expense of their social mission. SPM was

seen as an effective means to bring a greater client focus to the sector, and restore its tarnished image.

Building our members' capacity, however, meant building our own first. A lack of local technical expertise was a real barrier (and indeed we hit a few "dead ends" with ill-equipped external consultants), as was our own technical capacity to develop a plan to build our SPM capacity and fundraise for this. Our breakthrough came in 2009, when we attended an introductory SPM workshop for networks organized by the SPTF in Kenya. Following this, we were able to conduct a baseline survey and needs assessment in order to identify knowledge and practice gaps among our members. Based on this, we designed an SPM support program as part of our strategic plan, and raise resources to implement it.<sup>7</sup> In the past four years, we have seen a tremendous growth in the demand for SPM knowledge and training from both sector stakeholders and members.

Since that time, we have updated our strategy twice, based on feedback from both our stakeholders and industry developments. Initially, we assumed our role would only be to raise awareness, and that interested stakeholders would source more information for themselves. However, they encountered the same lack of affordable local technical capacity that we had. In this way, over the past year we stepped into a broader "technical support" role, helping MFIs to improve compliance with the Universal Standards (see Figure 1 overleaf).

#### Box 1: The Social Performance Fund

The Social Performance (SP) Fund for Networks is designed to mainstream the new Universal Standards for Social Performance Management. The SP Fund works with 10 networks that run 18-month projects to document learning and experience around innovative solutions to implementing the essential practices of the Universal Standards. They also support their members to reach full or partial compliance with one or more dimensions of the Universal Standards. Supported by the Ford Foundation, the Fund is managed by the Microfinance Centre (MFC), a microfinance resource center and network serving the Europe and Central Asia region and beyond.

<sup>1</sup> Written by Jacqueline Mbabazi, with input from Kinga Dabrowska and Katarzyna Pawlak (MFC), and Masami Hayashi (MFN).

<sup>2</sup> Social performance management is the institutionalized process of translating an institution's mission into practice. Learn more at [www.sptf.info](http://www.sptf.info).

<sup>3</sup> The Universal Standards are management standards and practices for all MFIs pursuing a double bottom line. [www.sptf.info/spmstandards/universal-standards](http://www.sptf.info/spmstandards/universal-standards)

<sup>4</sup> More information can be found at [www.mfc.org.pl/en/content/social-performance-fund](http://www.mfc.org.pl/en/content/social-performance-fund)

<sup>5</sup> The Association of Microfinance Institutions of Uganda (AMFIU) is the national association of Microfinance Institutions operating in Uganda. Learn more by visiting [www.amfiu.org.ug](http://www.amfiu.org.ug)

<sup>6</sup> [www.seepnetwork.org](http://www.seepnetwork.org)

<sup>7</sup> We are supported by the Ford Foundation, the MISION Africa project, and Cordaid. We also work with the MFC to train our members who are partners of the Stromme Foundation.

## GETTING STARTED

AMFIU began supporting MFIs to comply with Dimension one of the Universal Standards in 2011 (prior to the official launch of the Standards), as part of our SPM institutionalization strategy, which with the support of MISION Africa helped 16 MFIs integrate SPM. As SPM was a relatively new topic in our region at the time, we began with a general awareness-raising workshop for all AMFIU members and other stakeholders such as regulators, government and policy-makers.

In the first year of this three-year project, member uptake was slower than anticipated. We aimed to work with 6 MFIs, and while 11 submitted expressions of interest, it was an indication of how most members had not yet fully appreciated SPM. In the second year, as awareness grew, we received 37 expressions of interest for the 10 remaining places in the program.

By involving all stakeholder levels in a participatory mission review process, institutions ensured broad understanding and buy-in. Vision Fund Uganda also ensured that as part of their staff orientation program, both new and old staff are briefed on the organization’s revised mission (see Table 1).

To date, all partners have incorporated their clarified missions, goals and objectives into their strategic plans, and most have integrated social indicators into their MIS. Three of the initial six partners are already producing reports on some of their social indicators.

Feedback from members indicates that this strategic review process has stimulated a shift in MFI attitudes, that they are re-awakened to their role in ensuring that they have a positive impact on the lives of their clients, and that they view SPM integration as a practical and achievable process.

Figure 1: AMFIU’s SPM system



## LAYING THE FOUNDATIONS

When the Universal Standards were launched in 2012, AMFIU raised awareness by leveraging existing communication channels like regional workshops, the microfinance forum, the AMFIU e-newsletter, and even printing and distributing the Standards to members. In January 2013, AMFIU received support from MFC as part of the Social Performance Fund for Networks. This helped the network to raise awareness, conduct assessments, collect managerial tools to share with others, plan their member SPM support program, and conduct training workshops, and facilitate peer learning events.

In terms of choosing what Dimensions to focus our support on, we wanted to build on progress that members had already made. We emailed members to suggest which Dimensions they had experience and interest in. The majority proposed Dimensions one and four (Define and monitor your social goals and treat clients responsibly), which became the basis of our support strategy. For purposes of this case study, we will focus on Dimension one.

Table 1: VisionFund Uganda’s revised mission

<b>Previous mission statement</b>	<i>To provide sustainable, gender sensitive microfinance services to the economically active poor in Uganda for the enhancement of socio economic development.</i>
<b>Revised mission statement</b>	<i>We seek to improve the lives of children by providing low-income entrepreneurs with sustainable and integrated financial services that unlock their potential.</i>

### Step 1: Call for expression of interest

A call for expression of interest for our members to participate in this project generated a huge response. We screened 30 applicants in terms of:

- Board commitment or interest in SPM
- Management and staff commitment to SPM, as seen in the existence of an SPM champion whose job description and evaluation includes SPM activities
- SPM and client protection initiatives underway
- Availability of an SPM champion for the project activities.

Twenty-one institutions were selected, of which 18 have completed project activities.

### Step 2: Awareness-raising workshop

We held initial awareness-raising workshop for our partners to review both the new Universal Standards (with a particular focus on Dimensions 1 and 4) and the scope of project activities. While this event brought together CEOs, Operations Managers and SPM leads, the presence of senior management was critical to ensure that they provide the necessary support and commitment required. **See Annex 2 for the workshop agenda.**

### Step 3: Mapping and validating existing practice

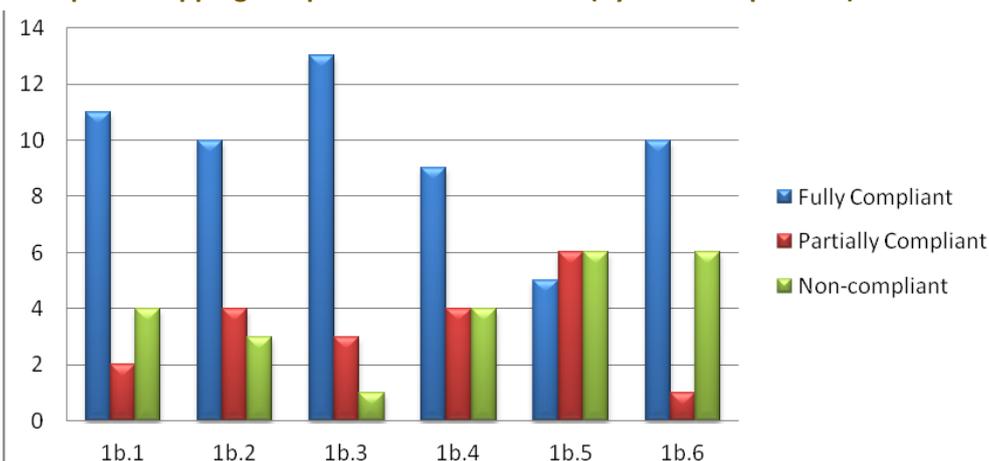
To ascertain current levels of Universal Standards compliance, we completed a mapping of current practice using a template we developed (**See Annex 3**).

This enabled us both to identify practice gaps, and to see what tools were used to implement the practices/policies. In order to validate the mapping, get a deeper understanding of the status of members' practice (whether compliance with each standard was full or partial) and identify support needed to improve

compliance, we carried out face-to-face interviews with MFI senior management the SPM lead at their offices. However, because of the length of the meeting (between 4-6 hours per MFI), the bulk of the time was spent with the SPM contact person and senior management would be consulted as necessary. An AMFIU staff member used support from two local consultants for these meetings, in order to reach our goal of 20 meetings in of 20 days. Also during this time, we collected and assessed tools used by MFIs to manage their social performance, using an evaluation committee at AMFIU. Tools we felt were of high standard we shared with the SPTF.

This was a critical stage to ascertain the 'quality' of compliance with each standard — we got to look at existing documentation and processes to ascertain if the existing practice is institutionalized, or just a one-off activity. For example, where practices exist without policies to support them, there is a risk of such practices disappearing depending on staff interest. Another challenge to look out for at this stage is the quality of the tools. All institutions for instance had loan appraisal tools to ensure that the client receives an appropriate loan amount, but few included consulting other providers or with a credit reference system to establish actual debt levels of potential clients. Without this, appraisals tend to underestimate clients' debt levels. Also, some MFIs lacked clear debt thresholds, in spite of having appraisal tools. Where these were the case, an institution might think it is complying with the principle of preventing over-indebtedness (and provide that information in the initial mapping) and yet be only partially compliant in practice. Sample mapping exercise results for Standard 1b are shown in **Graph 1**.

**Graph 1: Mapping compliance to Standard 1b (by essential practice)<sup>8</sup>**



### Step 4: Making improvement plans

Using the validated mapping exercise results, AMFIU helped partners to develop SPM improvement plans. To do this, we held in-person meetings at the offices of each project partner. We worked with the SPM lead to draft a plan, and present the draft to the CEO for input and approval. In some cases, SPM improvement activities required board approval, which meant that finalizing the plan took more time than envisioned. Also, in some cases activities that required significant amounts of resources (that the institution had not budgeted for) needed to be put on hold.

This highlights the importance of gaining board and management commitment right from the beginning, because it is the most vital to move forward to get the staff time and financial resources needed for the plan. Where required, AMFIU would point the institutions towards financial resources to support their work, as well as existing online technical resources (i.e. the SPTF library or SMART campaign website) that they could download and adapt without hiring a consultant. AMFIU also leveraged its own ongoing work in SPM and client protection to support partners. For instance, we helped seven MFIs collect PPI data, and 3 to establish complaints handling systems.

Even though this was the most challenging step, it was also the one that was most appreciated by MFIs, because it gave them a clear focus and direction on next steps. **An example of the template used for the improvement plan is found in Annex 4.**

### Step 5: Implementing the improvement plans

With the improvement plans approved by management (and the board where necessary), some partners made more detailed activity plans. Whatever the case, AMFIU monitored partners' progress over time. This was mostly achieved using email, phone conversations and written progress reports (**see a template in Annex 5**).

## SUPPORTING IMPROVED PRACTICE

### Using existing resources

Throughout the improvement process, we relied heavily on sharing existing various tools, manuals, policies from the SPTF and SMART campaign websites. The MFC also provided examples of tools from other institutions in areas identified as particularly problematic, such as

developing complaints handling systems and data privacy policies.

### Peer learning sessions

We conducted monthly half-day peer learning sessions at our offices to encourage partners to share their experience and discuss different tools. Each session took a particular theme, for instance poverty measurement. Here, we would invite a partner that was already using a poverty measurement tool to share how it was developed, how it is being used, what critical enabling factors and resources were required to implement it. This was one of the most effective channels in building partners' internal capacity to address practice gaps themselves, without having to hire external consultants. To date, our learning topics and "experts" have included:

- Developing a social indicators report (Opportunity Bank)
- Poverty measurement (Brac Uganda, ENCOT)
- Developing a training manual for group lending (EBO SACCO)
- Complaints handling (UGAFODE and AMFIU)
- Comprehensive loan appraisal systems to prevent over-indebtedness (Five Talents Uganda)
- Client exit surveys (Brac, Opportunity Bank, AMFIU).

### On-site technical assistance

On-site visits were used only when AMFIU needed to provide technical assistance, or in response to a specific challenge that needed physical presence from the network. For instance, we would make a visit when a partner had a problem with data analysis, or filling in the MIX template, or needed the network to make a presentation to their board on planned SPM activities.

## RESULTS

Most institutions prioritized "quick wins" in order to fill those practice gaps identified that did not require a significant amount of time and resources to implement. A smaller number of members made more fundamental changes: for example three institutions established complaints handling systems, and eleven MFIs introduced the PPI. To date, three have completed the pilot phase, and the others are in the process of data collection and analysis. These initiatives were made easier by the fact that partners could learn from other

institutions already implementing the solution that shared their experience.

Policy reviews are on-going, to address gaps identified around the absence of institutional policies. However, these take longer because they may require system reviews, human resource adjustments, staff buy-in, board approval and resources to ensure the policies are implemented.

Institutions that refined their mission statements, social goals and objectives incorporated these into their strategic plans, to ensure that SPM is not seen as a “one-off project” but as part of the entire organizational strategy. The challenge here however, is to ensure that SPM is also translated into revised operational plans, which would later be reflected in annual work plans, allowing for ongoing and effective implementation monitoring.

### CHALLENGES

As a network, we experienced a number of key challenges in this project, which required us to adjust our approach along the way.

First, getting CEOs/Board to approve SPM improvement plans took more time than anticipated. Fixing meeting times with MFI CEOs was the first challenge, but the biggest was asking the MFIs to work on certain gaps without a clear budget. To overcome this hurdle we worked with MFIs to identify potential supporters, and providing easier and affordable means to achieve their targets, like using existing resources and leveraging existing AMFIU programs to support some of their initiatives.

MFI staff turn-over was also a big set-back in some institutions. Despite top management commitment, the absence of an SPM champion for a period slowed down progress on the SPM workplan, as the CEO did not always have spare capacity to lead this work.

Adjusting work plans to include new activities on SPM was not easy for some of the institutions that have strict policies on this.

Quality control/assurance in tool development is also a big challenge among MFIs. For instance, an institution can decide that they want to improve their loan appraisal tool that ensures concrete assessment of the

customers' income to prevent over-indebtedness, but may lack the technical skills to develop such a tool. This is where sharing tools from different institutions can provide some help and the role of networks is to provide the necessary technical assistance or refer the institutions to the right service providers.

The challenge of balancing the social and financial priorities of an organization still exists to a certain extent, even among institutions that are committed to SPM. This is especially true where SPM is seen as an “add-on” activity, separate from the normal job remit of say, the Operations Manager. This delays SPM improvements in the short terms, and often the overall SPM strategy in the long term. The time that an SPM champion spends on SPM activities is dependent on how SPM fits into his/her job description and evaluation. However, in institutions where there is an SPM champion with clear responsibility for advancing this initiative, then implementation challenges are less common, especially where they are also part of the senior management team.

### COSTS

For the network, supporting members to improve compliance with the Universal Standards has clear cost implications, as well as planning and the capacity implications. At AMFIU, the staff member in charge of SPM spends at least 60% of her focused on SPM activities. Of this, approximately 25% is on project management, and the rest on implementation. Given the magnitude of the work we set out to achieve, we hired two local consultants to support field-based implementation areas such as tool collection and validating existing practices. An example of the time sheet for this assignment is attached in **Annex 6**. The activities that required up-front financial costs are listed in **Table 2**.

The costs (in terms of time) required to support member institutions to improve on SPM gaps identified varies from institution to institution. For much of this, AMFIU was able to leverage its on-going activities using funds raised from MISION Africa and Cordaid, and more importantly focus this support on gaps identified after the assessment. We identifying institutions to support based not only their level of commitment, but also their willingness to cost-share.

**Table 2: Costs involved in AMFIU’s SPM support work**

Activity	Costs involved
Initial meeting/awareness workshop with potential partners in the project.	Logistics for workshop (meals, refreshments, stationery, communication etc.) Staff time for preparation and facilitation
Call for tools, practices, policies, reports, manual, plans etc.	Logistics for field work Consultancy fees for two local consultants Staff time for preparation of templates, meetings and communication
Peer learning meetings	Logistics for workshop Staff time for preparation and facilitation
Technical Assistance to achieve full/ or partial compliance	Consultancy fees to two local consultants for site technical assistance to enhance compliance. At least one on-site visit per quarter for each of the institutions supported and three on-line meetings Staff time

### NEXT STEPS

We have identified four key steps that we will take to build on our SPM implementation project. These are:

1. Continuing to raise awareness throughout the sector. This is important to keep SPM at the top of the national microfinance agenda, reach more stakeholders and encourage more MFIs to adopt the Universal Standards. The campaign will include continuous engagement of influential stakeholders such as the Central Bank, policy makers, wholesale lenders, academic institutions and MFIs themselves.
2. Building MFI capacity to address gaps identified through peer learning between practitioners.
3. Providing technical assistance and progress monitoring on MFI SPM improvement plans.
4. Encouraging stakeholder collaborations between institutions that support this SPM initiative. We are bringing together key industry players to explore creating an SPM sub-committee of the national microfinance forum. We hope this will help define an all-inclusive national strategy and raise the resources required to implement this initiative.

### LESSONS LEARNED

Creating ‘model’ institutions within the sector helps raise awareness and communicate that SPM improvement is practical, achievable and that help clients and institutions alike. The “demonstration effect” of these institutions to share makes a bigger impact than

general presentations on the standards. However, this is not to say that presentations are not important – but they should be considered one of many promotional tools.

Achieving practical results for MFIs hinges on effective technical assistance. Training and promotional presentations are important for awareness-raising, but practical implementation requires continuous contact with the institutions as you respond to their queries and monitor their progress. This has cost implications for the network, both human and financial. Where in-house capacity was lacking, we trained local consultants to work with our partner MFIs.

Ensuring that each institution trains at least 80% of their staff and board is also important. Having buy-in and understanding at the CEO, SPM champion, and board level is essential, but broader outreach to existing staff is equally vital, especially new staff. When the CEO and board are committed but staff are not trained (especially field staff), results can be mixed.

Introducing the standards progressively is helpful, as is communicating that it takes time to reach full compliance. Otherwise, MFIs are anxious from the outset, and full compliance can seem out of reach. At the awareness-raising stage, you can present the full set of standards but emphasize the prioritization and implementation process.

#### More information

Download the report annexes by visiting:  
<http://bit.ly/amfiuannex>