



CONSUMER PROTECTION CODE OF CONDUCT IN MICROFINANCE

Approved by CARE USA Executive Team March 2007

RATIONALE

Originally, microfinance (MF) evolved as an alternative form of finance for poor who were previously excluded from the traditional financial systems. It was also rooted in humanitarian soil and driven by a desire to help the poor improve their well-being. But today, MF is becoming a commercial business as it has proved to be profitable, even while maintaining its original social objective. Different categories of actors (banks, investment funds, etc.) are now entering the MF industry and previously non for profit registered MF institutions are in the process of transforming into for profit entities. As MF becomes more commercial and oriented toward profit, there is more and more evidence of exploitation of clients, who are most of the time illiterate, vulnerable and poor. Recent backlash against exploitative lenders that has been seen in different countries to date, such as Bolivia, South Africa, India and other part of the world could be devastating to the whole nascent microfinance industry that reaches out to more than 157 millions individual receiving a micro-loan¹.

CARE has been active in the microfinance industry for decades. As one of the leading international nongovernmental organizations (NGOs) in the world, CARE works in many sectors and extensively in economic development, including financial services, enterprise development and access to market.

Currently, CARE is implementing 74 economic development-related programs in 43 countries throughout Africa, Asia, Europe, the Middle East and Latin America. In addition, CARE maintains ties with 14 independent microfinance institutions (MFI)² that have grown out of CARE's economic programming. CARE economic programs reach more than 1.2 million individuals and are largely focused on women. In general, those women are very poor and have a low literacy rate.

OBJECTIVE

Given the scale of CARE's microfinance program and the potential vulnerability of our clients, CARE has designed a consumer protection code that is aligned with our basic programming principles.

This code is intended to protect the rights of our clients and partners, ensuring that they are treated with dignity and respect and at the same time that we are providing them with the highest quality products and services. Consumer protection is not antipathy for business growth; rather it fosters the development of confidence and trust among consumers.

¹ The Micro-Credit summit Campaign, 2006

² Some of the MFIs are EDYFICAR in Peru, SEAD Inc in Philippines, WAGES in Togo, and Humo in Tajikistan

CARE’S CONSUMER PROTECTION CODE OF CONDUCT

In the following table, CARE principles are presented in the left column and practices to enact them are in the right.

Our principles	Principles in practice
<p><u>Promote empowerment</u> <i>We stand in solidarity with poor and marginalized people, and support their effort to take control of their own lives and fulfill their rights, responsibilities and aspirations. We ensure that key participants and organizations representing affected people are partners in the design, implementation, monitoring and evaluation of our programs.</i></p>	<p>CARE staff and partners³ pledge to treat their clients with dignity and respect. CARE staff and partners will seek to not disclose any sensitive information regarding their clients to a third party without a prior written agreement from the client. CARE staff and partners will always safeguard the interest of the clients and in no case encourage any business deal that undermines the client’s control over the business transactions.</p>
<p><u>Work with partners</u> <i>We work with others to maximize the impact of our programs, building alliances and partnerships with those who offer complementarily approaches, are able to adopt effective programming approaches on a larger scale, and/ or who have responsibility to fulfill rights and reduce poverty policy change and enforcement.</i></p>	<p>CARE will always seek a strategic partnership for the implementation of our microfinance activities, especially with local specialized and authorized organizations to ensure sustainable access to and control over financial services by poor and marginalized communities and compliance with local legislation. When working with partners, CARE will ensure that partners have consumer protection codes that are not in conflict with CARE’s mission, vision, principles and core values and this Code of Conduct. CARE will play a proactive role in any advocacy work in partnership with others to promote a more conducive environment for the benefits of our communities and partners.</p>
<p><u>Ensure accountability and promote responsibility</u> <i>We seek ways to be held accountable to poor and marginalized people whose rights are denied. We identify individuals and institutions with an obligation toward poor and marginalized people, and support and encourage their efforts to fulfill their responsibilities.</i></p>	<p>CARE and our partners will seek to ensure that clients have a complete understanding about the true costs they are paying on loans and other financial services and the interest rate they are receiving on their savings. CARE and our partners will seek to ensure that if a loan application is denied to a client, the reason is clearly explained to him or her. CARE and our partners will ensure that clients are aware of their rights and a formal and transparent mechanism is in place to handle client complaints and disputes.</p>
<p><u>Address discrimination</u> <i>In our programs and offices we address discrimination and the denial of rights based on sex, race, nationality, ethnicity, class, religion, age, physical ability, caste, opinion or sexual orientation.</i></p>	<p>CARE and our partners will seek to ensure that no person is denied access to financial services based on sex, race, nationality, ethnicity, class, religion, age, physical ability, caste or beliefs as long as it is not in conflict with national procedures and regulations. CARE and our partners will make ourselves aware of different power dynamics in the community context and will respond in line with our principles.</p>

³ By partners, we mean microfinance institutions, cooperatives, banks, investment fund, microfinance association, NGOs or network with whom we work.

<p><u>Promote the nonviolent resolution of conflicts</u> <i>We promote just and nonviolent means for preventing and resolving conflicts at all levels, noting that such conflicts contribute to poverty and the denial of rights.</i></p>	<p>CARE and our partners will seek to ensure that staffs are respectful to clients, do not sexually exploit them and do not use violent or harmful practices in loan collection, even if the clients are in default.</p> <p>CARE and our partners will seek to ensure that clients avoid investing their loan in business ventures with no prospect for profit to ensure that clients are not deprived of their basic survival capacity as a result of paying back the loan.</p>
<p><u>Seek sustainable results</u> <i>As we address underlying causes of poverty and rights denial, we develop and use approaches that ensure our programs result in lasting and fundamental improvements in the lives of the poor and marginalized with whom we work</i></p>	<p>CARE and our partners will seek sustainable access to financial services for clients by fairly pricing services, and will make sure that prices are not abusive and comply with local legislation and local industry standard or practices.</p> <p>CARE and our partners will take necessary actions to educate clients on financial management and seek to ensure that clients and their families benefit from the services they receive and do not become over-indebted.</p>

CARE’S CODE OF CONDUCT AND MISSION AND VISION

CARE’s work in economic development is customer oriented and geared toward the empowerment and the protection of individuals and communities with whom we work.

Our vision focuses on human dignity, social justice and security. As such, CARE should not accept any kind of violation or exploitation of people with whom we work. CARE is proud to be part of the global movement seeking consumer protection in microfinance. CARE believes that by protecting the consumer, microfinance activities are taking a step to further transparency and sustainability.

OUR VISION “We seek a world of hope, tolerance and social justice, where poverty has been overcome and people live in dignity and security. CARE International will be a global force and a partner of choice within a worldwide movement dedicated to ending poverty. We will be known everywhere for our unshakable commitment to the dignity of people.”

ENFORCEMENT AND ACCOUNTABILITY

Expected actions from CARE country offices

All CARE country offices that implement microfinance program are expected to circulate this code of conduct to staff and make sure they understand and abide by it.

CARE’s village savings and loan groups

CARE staff should take additional steps to educate village savings and loan members on this code and on their rights and responsibilities vis-à-vis a formal financial institution.

OUR MISSION is to serve individuals and families in the poorest communities in the world. Drawing strength from our global diversity, resources and experience, we promote innovative solutions and are advocates for global responsibility. We facilitate lasting change by:

- Strengthening capacity for self-help;
- Providing economic opportunity;
- Delivering relief in emergencies;
- Influencing policy decisions at all levels;
- Addressing discrimination in all its forms.

Guided by the aspirations of local communities, we pursue our mission with both excellence and compassion because the people whom we serve deserve nothing less.

Expected actions from CARE's MFI partners, donors, and policymakers

Any partner that receives funding or technical assistance from CARE for microfinance activities is expected to adopt and implement a code of conduct aiming at fostering transparency and protecting its customers. In any case, the code of conduct should not conflict with CARE's mission, vision, core values and principles and CARE's Consumer Protection Code of Conduct.

New partner:

- Before signing a memorandum of understanding (MOU) with a new partner for a microfinance activity, CARE will share this code of conduct with the partner and make sure that the partner agrees to prepare its own code (if one does not already exist).
- If the partner does have a code of conduct, CARE should review and make sure that it does not conflict with CARE's mission, vision, core values and principles.
- If the partner does not have a code of conduct, it should be clearly stated in the MOU that the partner is committed to adopting one no later than six months after signing the MOU. CARE's code of conduct should be annexed to the MOU. CARE's partner code should also be attached to the MOU within the 6 month period of time.

Existing partner:

- If the existing partner does have a code of conduct regarding consumer protection, CARE should review the code and make sure it is in line with CARE's mission, vision, core values and principles and should be included in the MOU as an attachment. .
 - If the existing code is not in line with CARE's mission, vision, core values and principles, CARE should advise the partner and assist it to amend the code accordingly.
- If the existing partner does not have one, CARE should assist in the creation and adoption of a code within six months and should be added later on in the MOU.

In all cases, CARE should make sure that the actual practice of the partner MFI or network conforms to the adopted code of conduct and should be prepared to separate in case of non compliance.

Strategic partners

Regarding CARE's strategic partners without any funding or technical assistance obligation from CARE, CARE should make sure the partner's practices are not in conflict with this code, and should be prepared to separate if they are.

Donors and policymakers

CARE will demonstrate an added value by sharing this code with our donors. This code could also be used to lobby for better consideration of microfinance clients in any donor intervention or microfinance regulations.

We will also enforce ourselves to respect any existing codes, regulations, policies in any country of our operation as long as they are not in conflict with our mission, vision, core values and principles. Otherwise, we shall seek any means to dialogue or advocate for a better conducive legal and institutional environment for our customers and partners protection and interest.



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