

African Microfinance Pricing Transparency Leadership Forum

Forum Report

October 5-7, 2011 | Nairobi, Kenya



Table of Contents

Event Summary	4
Discussion Insights: Challenges and Solutions	5
The Debate about Official Pricing Disclosure Formulas	14
Financial Education: Heard at the Forum	21
Discussion Insights: Stakeholder Roles & Responsibilities	25
The Way Forward	33
Appendices	34
Lead Funder	34
Steering Committee	35
Agenda	38
Participant List	42

For a concise summary of this Forum Report, please refer to “ARE Forum Summary Report” available at www.mftransparency.org

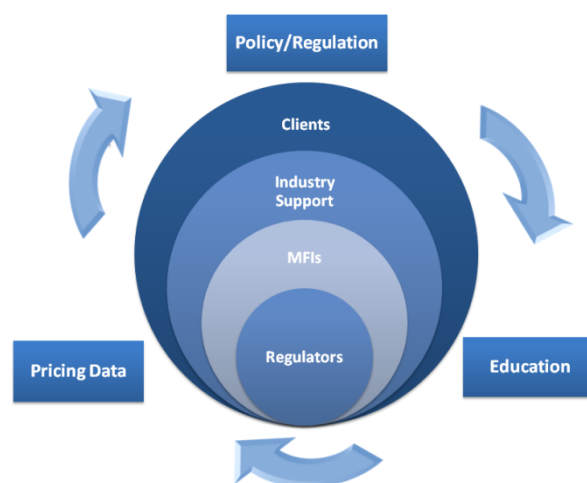
Event Summary

In October 2011, MF*Transparency* hosted the **African Microfinance Pricing Transparency Leadership Forum** in Nairobi, Kenya. This was the first event of its kind, bringing together policymakers, regulators, networks and a host of industry experts to discuss issues related to pricing transparency in African microfinance markets. More than 120 people comprised this carefully selected participant group, representing 24 different African countries. Attendees included policymakers, regulators and networks organized into teams representing their respective countries. The event was structured as follows:

Day 1: Training on pricing transparency calculations and pricing disclosure policy development by MF*Transparency* pricing experts. MF*Transparency* shared findings from its regional projects in 18 African countries to illustrate how effective policies can directly influence transparent pricing practices.

Day 2: Working sessions through which regulators and policymakers discussed strategies for developing and implementing pricing disclosure policy. These sessions covered themes such as financial education, standards for reporting and pricing formulas for effective disclosure.

Day 3: Development of action plans by country teams for applying the learnings of the event to facilitate an environment for transparency in their respective microfinance markets. Preeminent policy experts and technical assistance providers attended to provide support to country teams in this process.



MF*Transparency* compiled country teams that would be able to achieve the two main objectives:

- Represent the experience of their country in developing a regulatory framework for pricing disclosure in the microfinance market, so that other countries could learn from it; and,
- Synthesize the learnings of the forum into an actionable strategy for facilitating pricing disclosure in their home country microfinance market

Toward this end, it was important to include not only the regulator perspective but also that of the industry (through network representatives) and clients (through consumer protection agencies) as well, with industry experts on hand to provide technical backing to discussions and planning sessions.

These teams underwent a full three-day agenda with vigor. On the first day MF*Transparency* Chief Executive Officer (CEO) Chuck Waterfield and Chief Operating Officer (COO) Alexandra Fiorillo guided the group through a day-long training series designed to reinforce the principles underlying pricing transparency, discuss approaches to calculating transparent prices and share examples of effective policy that MF*Transparency* has observed in our work around the world. Day 2 started off with a riveting inaugural speech by Professor Njuguna Ndung'u,

Governor of the Central Bank of Kenya. The day proceeded with thematic workshops and round table discussions centered around the topics of pricing calculation, standards for reporting and spilling over into a third day with a session on financial education. On the final day of the event participants also had the opportunity to hold strategic planning meetings, within their own country teams, directly with other country teams and in consultation with industry policy experts and technical assistance providers.

The following sections of this report summarize and analyze the main topics of discussion at the forum, synthesizing this unprecedented exchange of experiences into a series of critical observations for the microfinance industry about how to implement policy for transparent pricing.

Discussion Insights: Challenges and Solutions

Rather than a series of session briefs, this section of the report presents some of the main challenges or questions and solutions arising from the presentations, panels, roundtable discussions and delegate meetings centered around three core themes: pricing calculation, standards for reporting and client financial education. It is our hope that these insights help to prepare policymakers and regulators to take important steps toward implementing policy for responsible pricing.

Pricing Calculation

The discussions around pricing calculation were fueled by training sessions given by *MFTransparency*, as well as a plenary discussion moderated by Moses Ochieng of CGAP/DFID and led by Ghépié Anin of BCEAO and Gladys Chongo Mposha of Bank of Zambia. These helped launch an ongoing debate among participants about what an official pricing disclosure formula should include and how to effectively implement it. The following are the main challenges that participants perceived in this process, as well as some solutions that were proposed for each.

Challenge: How can policymakers and regulators implement official pricing formulas that prevent microfinance institutions from using pricing terms to mislead borrowers?

Solution: Although this is a complex question, there are a few straightforward policy measures that participants discussed as concrete ways to facilitate transparent pricing practices.

1. **Ban flat interest rates.** Widespread adoption of the declining balance interest rate calculation method would lead to drastic improvements in the level of pricing transparency in many markets. Declining balance rates much more accurately depict the price of a loan; a price communicated as a declining balance rate is much closer to the true price than one communicated as a flat rate. If all institutions were required to use the declining balance method, it would be much easier for borrowers to compare products based on price, and this widespread knowledge of the prices of products would enable MFIs to set prices based on those of their competitors. Cambodia is a great example of a market where the regulator has implemented this requirement and the market has benefited tremendously as a result.
2. **Include all mandatory fees in the official pricing formula.** In addition to specifying how to calculate interest, official pricing formulas required by regulators should also include any fees charged to the client. The true price of a loan includes not only interest but all charges a borrower must make in order to access credit. Fees, insurance charges and security deposit requirements are examples of extra

charges frequently charged by lenders that are not always captured in the price communicated to the borrower. Requiring their disclosure would bring the market as a whole much closer to communicating true prices and greatly enhance borrowers' knowledge of what they must pay in order to access a loan.

3. **Require the use of a standardized repayment schedule template.** Some participants argued that an official pricing disclosure formula is only as good as the quality of the disclosure mechanism. When it comes to disclosure to borrowers, repayment schedules are one of the best ways to communicate pricing information. Policymakers and regulators can require the use of a template repayment schedule by all lenders that includes information about interest rates, fees and charges, cash flow and terms and conditions. In addition to ensuring that essential information is disclosed, this type of policy also facilitates comparison between products. For example, when using a template lenders cannot bury important information deep into a loan contract or obscure it by including it in a confusing way. In addition, while a borrower might not understand the concept of Annual Percentage Rate (APR), if every repayment schedule he/she sees has this figure in the same exact location they can at least determine which is lowest.
4. **Ensure agreement between the official formula and required disclosure to clients.** In addition, disclosure to clients of the official rate (if one exists) should be required. Institutions should not disclose Total Cost of Credit (TCC) to clients and Effective Interest Rates (EIRs) to regulators, for example; both should be disclosed. It is important to require disclosure of an official rate to all parties and through multiple channels, to facilitate its widespread adoption and understanding as a standard for disclosure.

Challenge: How can policymakers and regulators select an official pricing disclosure formula that accommodates the diversity of the market, in terms of institution types, product types, etc.?

Solution:

Establishing an official pricing formula is not about masking diversity in the market, it is about standardizing disclosure so that in spite of existing variety meaningful comparisons can be made. It is helpful to look at this from the perspective of the client. While certain institution types and products bear different costs for the lender and different profit opportunities, from the perspective of the client price always consists of the cash outlay required in order to access credit. A borrower is not necessarily concerned with an institution's cost of funds or whether the money they pay for insurance goes to the institution or to a separate company; from their perspective any charge is a cost of borrowing, and all such charges should be considered in an official pricing formula.

That said some worry that by using one formula for calculating all prices the non-financial distinctions between different institution types may be lost. For example, if an official formula shows microloans from NGOs to be much more expensive than those from commercial banks some may perceive NGOs as being relatively profit-seeking when in reality they may carry higher operating costs or may offer additional services such as training or financial education. This is the concern that *MFTransparency* seeks to address through education and the inclusion of contextual and descriptive information alongside pricing data. There are numerous factors that determine pricing, and numerous factors in addition to pricing that determine a client's decision about borrowing. Responsible transparency means accompanying pricing data with education and contextual information, so that these factors are understood.

Challenge: Many microfinance institutions lack the technical skills to implement complicated pricing formulas.

Solution:

While technical capacity is a challenge in terms of pricing disclosure for multiple stakeholder groups, there are many resources available for overcoming this obstacle. Any new policy should be accompanied by a training and sensitization process, but this may be especially true in the case of pricing as it is technical by nature.

One way of addressing this need is for policymakers and regulators to offer tools and software that simplify the process of adhering to disclosure requirements. Streamlining the process of converting prices to a new formula, this type of support can be vital in ensuring adherence to new regulations. In addition, participants raised the idea of policymakers and regulators hosting workshops and seminars to educate industry stakeholders about pricing in general and new formulas in particular.

In addition, numerous technical assistance providers exist in the industry that can offer the training needed to ensure MFIs' understanding of pricing calculations. Some, such as *MFTransparency*, offer free services and tools, for example technical assistance sessions tailored to the needs of specific institutions and resources such as an APR calculator and educational articles. Others provide services for a fee. Some participants discussed the possibility of donors or investors funding such programs. In addition, the local networks may potentially have a role to play in partnering with funders and technical assistance providers to ensure that the right institutions are included and the right issues are addressed.

Challenge: How can implementing an official pricing formula be effective in a market where not all institution types are regulated?

Solution:

One of the reasons for the pervasion of non-transparent pricing practices in the microfinance industry is that if some institutions are not transparent it becomes very difficult for others to remain transparent and still be competitive. Participants in the forum discussed the question of potential market distortions that might arise if policymakers and regulators required regulated institutions to disclose their prices and unregulated institutions were not required to do so. In some markets, where a significant portion of microfinance services are offered by unregulated institutions, this is an important concern.

A few solutions to this issue were proposed. One is to create incentives for unregulated institutions to voluntarily follow the same disclosure requirements as their regulated competitors. This might, for example, include a public relations campaign expounding on the virtues of transparent pricing and the value of working with officially recognized institutions. Or it could be a voluntary program offered by the regulator that couples compliance with new policy requirements and a benefit for MFIs, such as perhaps free training or technical assistance. In this sense the policy could in effect be applied to all institutions, regulated or not.

Another potentially valuable resource in addressing this challenge is the local MFI networks or associations. In cases where their membership consists of unregulated institutions, networks can lead the process of adopting Codes of Conduct, in this sense serving as the implementing agent to require their unregulated members to adopt the official pricing formula.

While difficult to develop, an educated client base could be an important tool in addressing this issue. If borrowers are informed about the advantages to them of choosing a transparent institution, it could start to erode the competitive edge of non-transparent institutions.

Challenge: How do you prepare a market to switch from the flat balance method of calculating interest to the declining balance method?

Solution:

Many participants felt strongly that an important and relatively straightforward pricing disclosure policy approach was the banning of the flat balance interest rate calculation method, by which borrowers are charged interest on the initial loan amount throughout the loan term rather than only on the principle amount remaining as they repay the loan. However, concerns arose about how to facilitate this. Would institutions have the technical capacity to make this change? What if prices were found to be higher than previously thought?

One of the best solutions to this challenge, also true for many pricing disclosure policy challenges, is education. Institutions with a good understanding of pricing calculations are more likely to be successful in making the transition to declining balance rates. Sensitization of the media, politicians and the general public is also essential to the success of such a policy measure. Declining balance rates appear lower than their equivalent using the flat balance calculation method. Therefore, education and open discussion is necessary to ensure that this new level of transparency has a positive impact. Materials such as MFTransparency's recent article "Flat versus Declining Balance Interest Rates: What is the Difference?"¹ can be useful in this process.

Perhaps the most effective way of addressing this issue is to learn from the example of other markets. MFTransparency recently published a case study on the experience of the Cambodian market in switching from the flat to the declining balance interest calculation as the result of regulation banning the use of the former². This policy was established more than ten years ago in Cambodia, but is currently being applied for the first time in the Philippines. Following the experience of the Philippine market can yield valuable lessons for regulators in other countries considering a similar approach.

Numerous other challenges and questions relating to the theme of pricing calculations were raised at the African Microfinance Pricing Transparency Leadership Forum, including what terms should be included in an official disclosure formula, what disclosure format is most effective, how to approach enforcement and many others. These are addressed in-depth in the related resource "The Debate about Official Pricing Disclosure Formulas".

Standards for Reporting

Another core theme of the African Microfinance Pricing Transparency Leadership Forum was standards for reporting, or what pricing information policymakers and regulators should require institutions to report and how it should be disclosed. A panel discussion between Harry Ndambala of Bank of Tanzania and Salem P. Aoutcheme of BCEAO, moderated by Philippe Serres of Agence Française de Développement (AFD, lead funder of the event) provided material for insightful and productive roundtable discussions among participants. The

¹ http://www.mftransparency.org/pages/wp-content/uploads/2011/10/Article_Flat-vs-Declining-Balance-Interest-Rates.pdf

² http://www.mftransparency.org/pages/wp-content/uploads/2011/10/Case-Study_Cambodia_Regulation-Outlawing-Flat-Interest.pdf

following are some of the challenges and solutions for defining and adhering to standards for reporting identified by Forum participants.

Challenge: Of the information that institutions report to regulators and policymakers, what should also be disclosed to the public?

Solution:

Participants at the Forum had a range of opinions on this question, but all agreed that it is somewhat difficult to decide what information it is important for the general public to know versus what regulators need to know to adequately supervise the market. Specifically in terms of information related to pricing, should interest rates be disclosed? Fees? Repayment schedules? Institutions' cost structures? Profits? Penalty fees? Prices for all products or only some? A weighted average of all prices?

While participants seemed to agree that the specifics of this approach are highly dependent upon the unique circumstances of a given market, one pervasive idea emerged: like any other product, borrowers should have information on the prices of microloans, as this is "outward facing" information. Information about an institution's cost structure, profit margins or funding sources, for example, are not necessarily essential for clients to know. When consumers buy most products they do not necessarily have, or consider, this information, but knowledge of all costs is essential.

This raised other questions about exactly what pricing information to report and in what format. Should regulators publish a range in prices? A weighted average depending on number of clients with a given product? Some regulators shared their approach of publishing matrices providing rates charged by microfinance institutions by loan amount and term, to enable comparison and allow borrowers to evaluate the prices they pay on their own loans relative to similar loans in the market. While participants did not necessarily arrive at a uniform solution to this challenge, *MFTransparency's* recommendation is that prices be disclosed by product, covering a range in loan amounts and in a comparable format such as Annual Percentage Rate (APR) and Effective Interest Rate (EIR).

Challenge: What is the best way to share pricing information reported to the regulator with the general public?

Solution:

The discussion around how to share pricing information reported to the regulator with the general public centered around three main questions:

1. What information should be published and in what format?
2. What is the best venue for sharing this information?
3. Is it the regulators' responsibility to determine how to make this information public or merely to collect it?

Participants of the Forum exchanged many ideas for how to address this first question. There was no general consensus on the extent of detail that should be published or exactly what the best way to convey this information is, but there were some general principles that participants believed should guide the process. Regulators at the forum agreed that it is important to publish pricing information in a way that is both

standardized and comparable but that also takes into account variation among the products reported on. Regulators agreed that a standard formula should be used and that information about the type of institutions reporting should be included, so that readers can differentiate between banks and cooperatives, for example. Participants were less in consensus on the question of whether or not to publish information about fees specifically and if yes which fees. Some participants put forth ideas about how to tackle the question of loan amount and loan term, suggesting that public pricing information should be differentiated on this basis, for example published in separate tables.

Many venues for publishing this information were also discussed. These included newspapers, the radio, in the premises of microfinance institutions, in brochures and through special workshops. Issues were raised about literacy levels and language differences as limitations to the effectiveness of newspapers and brochures, for example. Participants also cited the challenge of the limited circulation of newspapers, particularly in rural areas. Others felt that publishing information through the regulators' website is sufficient.

In addition to raising the challenge of identifying an appropriate mechanism for sharing this information, participants also questioned whether this responsibility should fall to regulators at all. For example, some participants argued that if regulators make pricing information available through their own official websites then other industry organizations should take up the task of determining how best to communicate it to clients, MFIs, investors, etc. Some participants suggested that regulatory agencies develop training programs, seminars, trade fairs, or other mechanisms for communicating this information to the public. Others believed that this role is best played by MFI networks, NGOs and consumer protection agencies in the microfinance industry.

Challenge: In the event that some institutions do not adhere to reporting requirements, what types of sanctions are appropriate?

Solution:

Even in a market where all institutions are capable of adhering to reporting requirements, there will inevitably be those that choose not to and violate the requirement. Participants shared their experiences with non-compliant institutions, who either reported late, submitted incomplete information or declined to report their pricing information at all, realizing that there were little or no repercussions to this action.

Regulators at the Forum debated what the appropriate course of action might be in these cases. Are sanctions advisable? Feasible? Is it the regulator's responsibility to impose punishments on institutions that do not disclose prices according to the official formula or is it merely to set these standards in the first place? Some participants recommended the "name and shame" approach whereby institutions opting not to disclose prices as required are identified publicly to their competitors and clients. Others disagreed with the principle of using negative incentives at all. Is there a place for this type of approach? If so when is it appropriate or possibly even preferable?

The question of being able to enforce the requirement of a new policy was of the utmost concern to policymakers and regulators whose entire base of authority is at risk if they are shown to be incapable of holding institutions to their legal obligations. Some regulators shared their approaches, which included heavy fines for late reporting, closure of the institution as a punishment for breaking pricing standards and even jail time in some cases. While each regulatory authority must agree on their own approach to applying sanctions, the general consensus was that there must be some consequence for failing to comply with reporting requirements.



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



Participants also addressed the underlying dynamic behind poor institution reporting practices: in times of industry turmoil, many institutions believe that reporting is a distraction and unnecessary use of resources and therefore lower it in priority. In these cases it is important that reporting requirements are viewed among industry players not as a peripheral part of operations but a closely integrated, essential component to a healthy functioning market. This suggests that regulators might consider, as an alternative or complement to sanctions, ensuring that the reporting framework in place is in fact well integrated and tailored to institutions' interests and also that it is perceived as such among reporting institutions.

Challenge: What pricing information should be included in required standardized loan documentation?

Solution:

The question of what pricing information might be included on standard loan documentation templates was not one that participants found agreement on, but many possible solutions were suggested.

Participants agreed that a range of information about interest rates should be included on mandatory pricing disclosure documentation templates. This includes the interest rate amount, interest rate period (i.e. monthly, annual) and calculation method (nominal or effective, flat or declining, for example). Ideally the interest rate required for disclosure would be the one calculated with the official formula whose definition would also be included on the loan documentation.

In addition to interest rate participants agreed on other terms of the loan that are essential for disclosure. Among these were loan amount, loan term, repayment frequency and dates, installment amounts and total cost of credit. Many believed that it is important to include the name of the credit provider and contact information that clients can use in the event of any questions or complaints. In general participants believed that it is important to include a full repayment schedule rather than just a list of terms, so that borrowers can see the payments due on each date and their cash flow over the loan term.

Many additional ideas were discussed but not necessarily universally agreed upon. Forum participants mostly agreed with the idea that information about fees should be included in mandatory documentation templates, but not all participants agreed on exactly which fees this should include. For example, most participants felt that mandatory fees paid to the lender should be mandatorily disclosed, but the disclosure of optional fees, fees paid to third parties and penalty fees generated some heated debates. Security deposit requirements generated similarly differing opinions.

In general participants agreed that the most essential pricing information should be disclosed in loan documentation clearly and on the first page, rather than buried several pages into a contract, an example shared by a South African delegate.

Challenge: How can regulators facilitate transparent pricing while also ensuring that the industry is not unfairly portrayed in a negative light by the media?

Solution:

Forum participants agreed that the media is a serious challenge in transforming markets to pricing transparency, and none seemed to feel completely confident in any solution put forth for managing their potential negative



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



influence. Group discussions all seemed to reflect the idea that the media is an inherently unpredictable though important factor.

One essential component to addressing this variable that participants identified was education. In order to improve the quality of media coverage of the microfinance industry, journalists and other players in the media should be educated on the industry, and specifically on pricing within the microfinance industry. Whether regulators or other industry players take up the task of training journalists directly, they should at least be included in educational and training programs provided to other industry groups to improve the basic understanding of pricing in the industry. While the incentive for the media to publish exciting stories over accurate stories will always exist, putting forth information supported by education may be an effective way for providing substantive though positive stories as an alternative, thus enhancing the industry's credibility.

Financial Education

The third main theme of the African Microfinance Pricing Transparency Leadership Forum was client financial education. A panel discussion between Daniel Tallam of the Central Bank of Kenya, Lanjes Sinoya of the Reserve Bank of Malawi and Kobina Amoah of the Ministry of Finance and Economic Planning of Ghana, moderated by Bilha Maina of Financial Sector Deepening Kenya, sparked the discussion among participants of this essential component of responsible microfinance. The following are some of the main challenges and solutions to the difficult but important task of educating clients that participants of the Forum identified in roundtable discussions.

Challenge: What is the right approach to educating clients about pricing, in terms of channels and formats for information?

Solution:

While Forum participants agreed that client financial education is an essential component to healthy microfinance markets, they also agreed that it is a challenge on several levels: clients are difficult to reach, financial education is expensive and general education levels (let alone financial education levels) tend to be very low among microfinance clients. Still, participants put forth several potential ways of addressing this issue.

Similar to the discussion of publishing reported pricing information, many of the same vehicles for reaching clients with financial education material were suggested, such as newspapers, the radio, trade fairs, seminars and workshops and brochures and posters at MFI offices. Participants acknowledged the benefits and limitations of each, for example that newspaper pieces would not reach illiterate or many remote rural clients and trade fairs might not provide the ongoing source of training and education really necessary to develop new knowledge. Another idea discussed was instituting a staff help desk at MFI offices manned by employees whose sole job it is to explain to clients their rights and responsibilities. This was considered as a potentially less expensive alternative to the time-consuming, resource-intensive and not necessarily effective long-term educational programs run by some MFIs. One idea discussed by many participants was the implementation of youth financial education programs in schools. Though a more structural and long-term solution, many participants agreed that this missing component is needed to develop a new generation of educated clients.

In addition to teaching clients about pricing in general, participants discussed the need to educate microfinance clients about the regulations themselves. An educated client base can serve as a mechanism for ensuring adherence to regulatory requirements, where clients can hold institutions accountable if they know the rights they are promised by the regulatory framework.

Challenge: Which microfinance industry stakeholder group should be responsible for client financial education?

Solution:

Many ideas and examples of approaches in place across Africa were discussed as part of the question of whose role it is to educate clients.

Some participants believed that the government should be responsible for measuring client financial education levels as well as designing, implementing and funding financial education programs. Delegates from Malawi put forth the idea that while this responsibility could comfortably fall to the government it might be best handled by a separate regulatory agency within the central bank, for example.

Other participants expressed the opinion that regulators should monitor financial institutions' performance and should not be expected to divert time and resources to financial education where they do not have the expertise anyway. These participants suggested that specialized NGOs might be better placed to undertake this role, funded by donors. Others suggested that networks might be a good dissemination hub for financial education programs, possibly in coordination with consumer protection agencies.

The question of MFI financial education programs was also discussed. Some participants believed that in order to practice responsible microfinance, institutions should prioritize client financial education. The majority of participants believed, to the contrary, that client financial education programs run by MFIs are not only a drain on MFI resources but also represent a conflict of interest. It is difficult to differentiate between marketing and genuine education, and while MFIs should be held responsible for explaining their products and the rights of the borrowers, they cannot be expected to educate clients to the extent necessary to ensure their ability to make educated decisions between products available to them.

Challenge: How can we assess client financial education levels in order to tailor appropriate programs?

Solution:

There was general agreement among participants at the forum that a better understanding of exactly what levels of financial education exist among clients, what challenges there are to improved financial education and how this understanding varies among different client groups is an essential first step toward building comprehensive client financial education programs.

Many Forum participants suggested that baseline research should be done to generate a foundation of knowledge about the state of client financial education in the market. The concept of client segmentation was strongly emphasized as well, as levels of education, literacy and inclusion in the formal financial system can vary greatly among different client groups. Delegates also shared examples of such research underway in the



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



countries they represent, including baseline studies done by central banks in Ethiopia and Tanzania and national strategies for financial education being developed in Malawi and Zambia.

Rather than regulators undertaking this work some participants suggested that this is an area where donors should step in and both fund as well as execute such studies. In addition, participants explored the idea of regional cooperation on this question, where research methods and basic findings about client financial education in some markets may be valuable to industry stakeholders in other markets undertaking similar work.

Numerous other challenges and questions relating to the theme of financial education were raised at the African Microfinance Pricing Transparency Leadership Forum, including an in-depth look at how to implement client financial education programs and what the roles of different stakeholder groups should be. These are further addressed in the related resource “Financial Education: Heard at the Forum”.

Conclusions

While many challenges raised did not meet with definitive solutions or agreements among participants as to the best solutions put forth, the opportunity to discuss these challenges in general yielded valuable insights. Two important themes shaped these discussions in general.

Though the sessions of the Forum were divided along three main themes, pricing calculation, standards for reporting and client financial education, throughout the course of the discussions participants identified the relationships between them. New official pricing calculation formulas as well as standards for reporting increase the volume of information available and change the format of pricing information that industry players are used to seeing. This in turn is likely to raise questions among clients thereby increasing the need for financial education. Being able to address these questions in a meaningful way is vital, as MFIs may fear losing clients if clients lose **confidence** in them over a lack of clarity around pricing. This dynamic may naturally incentivize MFIs to make more efforts to educate clients, increasing the positive outcomes of pricing transparency.

Finally, the most repeated theme of the event was the need for capacity building at all levels of the market; this includes MFIs, clients, the media and even policymakers and regulators themselves. Questions of how to build capacity, whose responsibility it is, what skills are essential and who should fund the needed training processes remain, but with a general consensus on the importance of this step the practical solutions are likely to evolve over time.

The Debate about Official Pricing Disclosure Formulas

One of the three main themes of the African Pricing Transparency Leadership Forum was Pricing Calculation. Training sessions given by MFTransparency, as well as a plenary discussion moderated by Moses Ochieng of CGAP/DFID and led by Ghépié Anin of BCEAO and Gladys Chongo Mposha of Bank of Zambia, launched an ongoing debate among participants about what an official pricing disclosure formula should include. This article

provides insights from this debate, highlighting the most essential issues to be addressed to establish widespread agreement on this critical element of pricing disclosure policy.

Background

The policy frameworks governing many microfinance markets around the world sometimes include an official formula for calculating and disclosing the prices of microloans. Typically this official formula specified by legislation implemented by the regulatory agency tasked with governing the microfinance market, and is adopted for multiple reasons including:

- Client protection
- Improved reporting standards for microfinance institutions
- Overall increased transparency in the disclosure of the prices of microloans

The official legislation will specify:

- Formula for calculating the official price and how to apply the formula
- What types of institutions and credit products the official formula applies to
- How the official price must be communicated (e.g. via loan documentation, reports to the regulator, displays on the walls of branch offices) and to whom (egg. borrowers and/or the regulatory authority)

As the goal of this official formula is to institute a standard format for pricing disclosure, typically the formula incorporates standard loan terms and repayment frequencies and takes into account some or all charges in addition to interest.

Advantages & Disadvantages of Having an Official Formula

Although participants in the Forum generally agreed on the importance of pricing transparency, not all were fully convinced that establishing an official pricing formula is a good way of facilitating transparent practices. The following advantages and disadvantages in particular were discussed:

Advantages

With an effective official pricing calculation formula consumers are protected against excessive rates and also hidden charges. The formula makes it harder for institutions to hide such abusive practices thereby rendering them unable to compete in the market if they continue to apply them. This also implies that prices are widely known throughout the market, both on the part of clients and institutions, enabling competition on the basis of price. Provided that the official formula allows for comparison among the range of loan products available in the market, this increased competition can lead to gains in efficiency and ultimately lower-priced, better-quality products for clients. The availability of this information is valuable for policymakers and regulators as well, who would be much better-positioned to make effective policy decisions if they had access to accurate, comparable information about the prices of credit products.

Disadvantages

Many participants in the forum expressed doubt that an effective formula could be chosen and implemented. Some believed that in order for an official pricing calculation formula to really communicate the true price of microloan products it would have to be too complicated for most institutions to calculate. The reality of most markets is that many microfinance institutions are lacking the skills and resources to effectively apply complicated formulas, so even if the requirement were in place it would have minimal impact. Participants were also concerned with the likelihood of arriving at an official formula that would accurately account for the full range of diversity in the market, in terms of variation across geographies, institution types and product types. Might requiring all institutions to disclose prices according to the same standard cause some prices to appear excessively high? Or suggest that all prices are subject to the same determinants, thereby masking diversity in the market?

Beyond the basic question of whether or not an official pricing calculation formula is a potentially positive policy strategy, participants went on to discuss some of the steps that would go into developing and implementing such a policy.

What Formula to Choose?

Many questions arise in the process of selecting an official formula, in particular *how* the formula should calculate price and *what components* should be included. This is a topic that participants in the African Microfinance Pricing Transparency Leadership Forum discussed at length.

Some of the most challenging questions surrounding what formula to select involved the following aspects:

- **Term:** Should the official formula communicate price on an annual basis? Monthly? Weekly?
- **Repayment frequency:** Building on the point above, is it appropriate to communicate the official price according to a different term than the repayment frequency? For example, is it a problem for the official price to be calculated on an annual basis if most borrowers make payments on a monthly basis?
- **Compounding:** Should the effect of compounding interest be included in the official pricing calculation formula?³

Perhaps still more controversial was the discussion surrounding what elements of pricing should be captured in the official formula. Most participants agreed that the official formula should include both the interest rate and some fees, and that each should be clearly defined. However, participants vehemently disagreed on the question of including several other types of charges to the borrower in an official formula. These include:

- **Insurance:** Should insurance be counted as a cost of the borrower benefits from it? What if the insurance payment goes directly to a third party insurance company rather than to the MFI?
- **Security deposit (compulsory savings):** Should compulsory savings requirements factor into the official price? Although they do require a borrower to outlay money at the start of the loan term, the borrower benefits by having savings.

³ This question typically refers to the question about whether to use an Effective Interest Rate (EIR) calculation, which typically accounts for the effect of compounding, or an Annual Percentage Rate (APR) calculation, which simply annualizes the cost of the loan.

- **Third party fees:** What about fees that a borrower pays as part of the loan that do not go to the MFI, for example legal fees? Insurance and taxes often fall under this category as well.
- **Taxes:** If the government requires borrowers to pay taxes on their loans, not the institution, should this be included in the official formula?
- **“Optional” fees:** Some institutions charge fees for additional services along with credit that are technically “optional” but 99% of borrowers opt to take them. How might an official formula reflect this?
- **Penalty fees:** If an official formula only includes expected charges or payments, there is no way of knowing which institutions charge steep penalty fees for late payments.

The discussion of whether or not to include these elements in an official price formula raised additional, more complex issues, such as should all charges even be allowed? Should some of them be limited? What is the difference between requiring disclosure of *pricing* versus disclosure of *profits*? Should institutions also disclose their own costs, and if so how? How much importance should be placed on selecting an official formula for *calculating* prices versus instituting standards for *disclosing* prices?

Amid all these questions one important point became clear: policymakers and regulators need ways of determining what approaches to establishing official rates are optimal. Whether through collecting information on industry players, hosting meetings and discussions to address this issue or conducting pointed analysis of existing information, many regulators agreed that there is a need in their market for understanding the environment for pricing transparency better.

Participants also agreed that the official formula selected should take into account the unique characteristics of the local market it applies to, further emphasizing the need to understand this context, and implying that we should expect official pricing disclosure formulas to vary across countries. Maybe there is no single right answer to the question of which formula is best.

Common Questions & Challenges

Beyond the theoretical issues raised by the discussion of what should be included in an official pricing formula, participants in the Forum also shared their experiences in facing many practical issues in establishing and enforcing pricing disclosure. The following section outlines some of the most commonly discussed issues.

Self-Regulation versus External Regulation

Many participants in the Forum expressed the opinion that some aspects of pricing disclosure should be enforced through self-regulation and others through external, official regulation. Self-regulation could, for example, take the form of an official pricing formula adopted through Codes of Conduct or other standards agreed upon through professional associations or MFI networks. Some argued that given the limited capacity of some regulatory agencies, as well as knowledge of the sector on the ground (in some cases), some aspects of facilitating pricing transparency might be best executed through self-imposed standards. Others argued that “self-regulation” in practice can become more like collusion, and that since MFIs often benefit from opaque practices the incentives are not in place to make self-regulation effective.

One important benefit to at least a partial self-regulatory approach is that in many microfinance markets a significant portion of the market is not under the purview of the regulatory authority. If a regulator were to require only regulated institutions to adhere to an official pricing formula, allowing unregulated institutions to

continue to use non-transparent practices, this could create a significant market distortion. In addition, it could actually make the environment for clients worse, creating more variation in pricing and more confusion about which products represent the best option.

Standardized Loan Documentation

Many participants at the Forum raised the point that an official pricing disclosure formula is only as powerful as the extent to which the standard rates are disclosed. When discussing what pricing components should be included in an official pricing formula, it may be equally important to define which components are disclosed through loan documentation given to borrowers. For example, while many institutions disclose interest rates, loan terms, installment amounts and repayment frequencies, it is less often that information about fees, insurance charges, compulsory savings and interest rate calculation methods are included in repayment schedules and loan contracts. If an official pricing disclosure formula requires institutions to report an APR or EIR to the regulator, shouldn't they also be required to share it with the borrowers? If knowing the total cost of credit is not enough for policymakers and industry professionals, why should it be enough for borrowers?

In addition to the content of pricing information disclosed on loan documentation, the manner of disclosure was discussed as well. Many participants advocated the requirement of a standard template to prevent institutions from burying important information deep into long documents or to present it in confusing ways. Templates also make it much easier for clients to “shop around” and make comparisons between products.

Limitations of Technical Capacity

Concerns about the technical abilities of microfinance institutions to absorb new requirements are always present but particularly acute when it comes to pricing calculations, a topic that even top experts struggle with. Much of the discussion about official pricing formulas centered on the challenge of preparing institutions to adhere to any new requirements. All agreed that training and capacity building would be necessary in order to make the use of any official formula feasible. Other ideas for supporting the process included the provision of software and tools for MFIs to use to convert their current calculations to a new official formula. This of course begs the additional question of whose responsibility it should be to provide such technical assistance and also to fund it. What should the role of the regulator be relative to that of donors? Investors? Technical assistance providers?

In addition, to backstop the implementation of new policy it is important to educate the clients themselves. An informed public, who is aware of their rights and the standards of service they are entitled to, can be a valuable component to the success of a new policy. The question of educating clients, however, raised even more questions and difficulties than that of educating institutions.

Making the Switch from Flat to Declining

Adjacent to the discussion of what type of formula might constitute an ideal official pricing disclosure formula, participants discussed the question of the flat versus declining balance methods of calculating interest extensively⁴. Most agreed that any official formula in place should use the declining balance method, and

⁴ Through the flat balance method of calculating interest the borrower pays interest on the initial loan amount throughout the loan period. Through the declining balance method, the borrower only pays interest on the loan amount they have in their possession as they repay principle over the course of the loan term. The declining balance method is widely

possibly even forbid the use of the flat method, but they also expressed concerns about the process of actually implementing such a requirement. How can we get an entire industry to shift from using predominantly flat to all declining balance rates? Is there a way to ease into this? Perhaps of most concern, once we require institutions to switch to the declining balance rate, what if we discover that prices are much higher than we thought? What kind of backlash might result from politicians, media, funders and the general public?

These are questions that MFTransparency is highly focused on, as we are strong advocates for the banning of flat interest rates. Our entire data collection methodology centers on the fact that we publish prices for the market as a whole at the same time. This way if the true prices are a surprise to the industry, at least they undergo the process of becoming transparent together rather than singling out a few institutions. In addition, we provide helpful resources targeted specifically at the issue of flat interest, including an article explaining this dynamic in microfinance, a model repayment schedule showing how the declining balance rate can be communicated to borrowers clearly and simply and a price calculator that enables policymakers and regulators as well as institutions to translate flat prices into declining to see how they will appear once converted.

Country Examples

Through the course of the discussions surrounding official pricing formulas, many country delegations shared descriptions of how pricing disclosure is required in their own local markets. The following are some examples of policies that were mentioned in discussions, as overheard by MFTransparency team members:

- **BCEAO:** In the WAEMU countries institutions lend under a price cap and must disclose prices according to an official rate, an Annual Percentage Rate (APR) referred to locally as *Taux Effectif Global (TEG)*.
- **Ethiopia:** Previously a price cap was in place but now the regulator maintains a policy of self-disclosure.
- **Kenya:** Policy requires the disclosure of Total Cost of Credit (TCC) but not Annual Percentage rate (APR). Along with repayment schedules, this information must be reported to the regulator but is not shown to the public.
- **Liberia:** There is no official formula but nominal rates are published publicly, as Total Cost of Credit (TCC) and including some fees.
- **Malawi:** Institutions are required to report Effective Interest Rates (EIRs) to the regulator on a quarterly basis. There is no official formula yet for disclosure to clients, but information such as installment amounts and nominal rates must be on display in MFI offices.
- **Uganda:** There is no official formula but nominal rates and charges must be disclosed. This applies to banks and deposit-taking institutions. There are no sanctions in place for institutions that do not report.
- **Zambia:** Regulation requires that the Total cost of credit (TCC), the Annual Percentage Rate (APR) (including the effect of compounding), the nominal rate and some charges be disclosed. Insurance is specifically excluded from this formula. This information is published by the regulator in tables by loan amount and term, rather than averages by product and amount

considered to be fairer and more transparent because the borrower only pays interest on the money they have at their disposal.

Strategy for Successful Implementation

The question of choosing an official pricing formula is a complex one. It was an important issue to raise at the African Microfinance Pricing Transparency Leadership Forum, and a combination of the opening discussion and roundtables that followed yielded many valuable insights.

Once an official formula has been selected, participants discussed many challenges to its implementation. The following are three of the core themes discussed at the event, which should form the foundation of the strategy for developing and implementing an official price formula:

Training and Capacity Building

Even the best decision regarding the implementation of an official formula can only be as good as the framework in place for applying it. Training, capacity building, technical assistance and education are needed at all levels. Policymakers and regulators must be informed about the reality of pricing in the market in order to make good policy decisions, networks must be informed about new policies in order to support institutions in implementing them and the institutions themselves must be capable of calculating a new pricing formula in order to effectively adhere to disclosure requirements. In addition, educating borrowers and the media will help to ensure that the intention of an official formula comes to bear, facilitating widespread understanding of pricing. Regulators and policymakers can provide tools and software to make the process of adopting new formulas simpler.

Coordination between Stakeholder Groups

Particularly as it relates to the previous point, coordination between different stakeholder groups is essential for the implementation of all types of new policy requirements. Understanding of the different perspectives of institution, regulators and borrowers is essential for developing policies that benefit all. In addition, each group has a role to play in making this a practical success. For example, technical assistance providers can train institutions on how to calculate prices using a new official formula. Donors can consider funding financial education programs for clients and investors can support regulators in enforcement by requiring their partners to use the official formula as well as report their rates directly. Networks can act as a liaison between these groups to facilitate discussion and ensure that the perspective of each is understood.

Pricing from the Client Perspective

While not all participants in the forum necessarily expressed this view, it is MFTransparency's position that a truly transparent price takes into account all costs paid by the borrower in order to access credit, regardless of whether the institution benefits from them or not. We believe that official pricing formulas should also take this perspective. Institutions should be required to disclose all costs a borrower is likely to face when accessing a microloan. In addition, institutions should be required to disclose this information in multiple formats so that in addition to the official rate borrowers also know their installment amounts, repayment frequency, any late payment penalties, etc. We believe that through putting the client perspective first in terms of pricing disclosure, all stakeholders in the market benefit.

Financial Education: Heard at the Forum

Client financial education was one of three core themes discussed at the African Microfinance Pricing Transparency Leadership Forum. A roundtable discussion between Daniel Tallam of the Central Bank of Kenya, Lanjes Sinoya of the Reserve Bank of Malawi and Kobina Amoah of the Ministry of Finance and Economic Planning of Ghana, moderated by Bilha Maina of Financial Sector Deepening Kenya, provided substantive material that sparked the lively roundtable discussions that followed.

The following sections frame the discussion of client financial education that took place at the forum, and extract insights on some of the most complex questions raised about this cornerstone of transparency.

The Importance of Financial Education

There was broad agreement at the Forum agreed that client financial education is critical to facilitating transparency, building strong markets and ensuring that microfinance fulfills its social mission. Financial education arose in discussions of the other two core themes, indicating how fundamental this consideration is to all other industry building efforts. Financial education seemed to be of equal concern to participants as the role of pricing disclosure in institution financial sustainability but the question remained: who is responsible for providing financial education to clients?

In particular, participants agreed that educating clients about pricing is essential to any successful effort toward transparent pricing. Not only should clients be able to understand prices and how to make decisions between different products, they should also be educated on how to determine when to borrow and when not to borrow as well as how much. Participants felt it was important to educate clients on pricing as it pertains to the range of products offered by microfinance institutions, not just credit.

Financial education allows borrowers to make better financial decisions, but it can also help make borrowers more aware of their rights and the regulations protecting them. New client protection or pricing disclosure policy is more likely to be effective if the clients it is designed to benefit are aware and can demand the rights and information they are due.

In addition, new pricing disclosure policy means more pricing information available to clients and may also mean confusion among borrowers who do not understand the information they now have access to. If a new policy requires institutions to publish the Effective Interest Rate (EIR) on all repayment schedules but borrowers do not know what EIR is, the policy is minimally effective. If clients raise questions that institutions are not equipped to answer, then those institutions risk losing the trust of their clients. In this sense, pricing disclosure policy and client financial education are mutually dependent approaches for strengthening the microfinance sector.

Implementing Financial Education Programs

While participants in the Forum agreed that financial education of clients is an important priority, they also agreed that it is a significant challenge. There are many difficulties involved with reaching clients who may be dispersed, located in remote rural areas, without access to communications technology, illiterate and relatively unfamiliar with formal financial services and products. Participants discussed several possible ways of reaching such clients with educational information about microloan pricing:



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



- **Seminars and Workshops:** The first financial education channel that most participants discussed was traditional, in-person classes or workshops. By working with borrowers in-person directly, the training programs can be tailored to meet individual needs. Questions and concerns arising about this approach included the applicability of a classroom-style approach; for uneducated and possibly illiterate clients, is this the most effective way of communicating information? Who would offer such programs and where would they take place? Who would pay for them?
- **Materials Distributed through MFI Offices:** Some discussions addressed the idea of disseminating financial education materials to clients in the form of brochures and posters at MFI offices. This could address the question of location, but many raised the issue of conflict of interest. Where is the line between advertising and education? Some felt that MFIs are best-placed to distribute this kind of information since it is really in their best interest to have educated borrowers.
- **Staff Help Desk:** Similar to the previous point, another idea raised was to set up a help desk at MFI branch offices that would be manned by staff members dedicated to explaining rights and responsibilities to borrowers as well as explaining credit product pricing structures and reviewing loan documentation disclosing pricing information. This consistent accessibility and hands on approach could help borrowers come to understand pricing terms thoroughly over time.
- **Trade Fairs:** Participants discussed the possibility of hosting trade fairs for the microfinance industry where clients could meet in person with institutions, financial education experts and other industry support organizations directly. This face to face interaction would avoid telecommunication and literacy issues, and likely ultimately achieve better results than remote communication. This could also be a venue for disseminating important pricing information to clients, providing institutions with an opportunity to market to their clients and bring together a large number of people at once for what might otherwise be time-consuming and expensive smaller training sessions.
- **Newspaper:** Printing information about the pricing of loans as well as educational material about how to use it to make better borrowing decisions could be distributed through newspapers, especially very local ones. However, many clients, especially in rural areas, do not subscribe to any newspaper. This also does not address the issue of literacy, which would make information distributed through a newspaper inaccessible to many clients. In addition, in some places very few if any newspapers are printed in local languages.
- **Radio Programs:** Similar to a training program that might be given in person, radio programs could take borrowers through the concepts of pricing and in general the process of borrowing. This approach is inexpensive, could reach a wide range of people, can be offered consistently over time and addresses the issues of literacy and language.
- **Youth Financial Education Programs:** Many participants agreed that in the long-run, developing youth financial education programs as part of the core curriculum of local schools is an important step toward creating more informed microfinance clients. This essential information should be taught by teachers as an additional core subject, starting from a relatively young age so that in adulthood otherwise financially excluded individuals have a strong understanding of formal financial products and services. This does not address the issue of current borrowers' education, but may be an effective policy measure to plan for future generations of borrowers.

In addition to distribution channels for client financial education programs, Forum participants agreed that client segmentation is important for developing effective education strategies. For example, in terms of pricing, farmers are likely to have different concerns than urban business owners, and clients at higher income levels are likely to face very different credit product options from those at the lower end of the spectrum.

Regardless of the mechanism chosen for delivering financial education programs to clients, participants agreed that extensive research and preparation is necessary, including initial needs assessments, pilot phases of new projects and ongoing evaluations of client satisfaction and overall impact of any given approach. In particular, regulators and policymakers in attendance felt that they required baseline research to better understand financial education levels before moving forward with designing programs. Delegates from Ethiopia, Malawi, South Africa, Tanzania and Zambia all shared their experiences with conducting such research, prompting the suggestion that regional collaboration on the issue of financial education could potentially be a highly effective approach.

Finally, it is important to note that the emphasis for financial education should be on clear and simple products with clear and simple prices and built-in mechanisms to ensure clients understand what is being offered (e.g., in the loan contract, loan officer procedures manual). It is important to distinguish between different types of financial education. One approach is financial education around client protection principles – the rights and responsibilities of clients and institutions. This type of financial education may be more of a regulatory or industry responsibility. There is also education around financial capability (savings, planning, managing debt, negotiation), and being able to make sound decisions regarding financial products and services. The providers of this type of financial education may be different. Finally, clients should also receive education including clarifications and clear explanations of particular products and services (i.e., marketing). Given the potential breadth of financial education offerings, the interests and responsibilities of policymakers and regulators should be more narrowly defined.

Stakeholder Roles and Responsibilities

Perhaps equally difficult as determining what approach to take to client financial education is the question of whose responsibility it is to require, disseminate and fund such programs. Particularly in the context of discussing pricing disclosure policy, and thereby making new information available to borrowers, Forum participants found it important to define roles and responsibilities of different industry stakeholder groups to avoid duplicating efforts and to ensure positive outcomes.

Forum participants discussed potential roles for the following stakeholder groups in terms of facilitating client financial education about pricing:

- **Policymakers and regulators:** In implementing pricing disclosure policy, should policymakers and regulators also require certain standards for client education? Organize and oversee client financial education programs? Fund such programs? Most participants agreed that policymakers should encourage such programs and monitor needs in this area, possibly also partnering with other industry stakeholders to implement programs, but should not be directly or solely responsible for educating clients. Many participants suggested that the role of regulators in financial education be more focused on the *rights and responsibilities* of clients and institutions when engaging in financial service exchanges. This type of financial education relates more to the consumer protection angle and less to the financial accounting or business management financial education offered by some programs.

Questions also arose about the fundamental role of policymakers and regulators in pricing transparency in terms of responsibility to the clients. Is it the role of policymakers and regulators to make pricing information available, or should they also be responsible for making sure it reaches clients? That clients

understand it? This discussion raised important philosophical questions about to what level the reach of the regulatory authority should go.

- **Financial Institutions:** Some financial institutions provide some level of client education already, from the minimum amount necessary to ensure that clients understand their obligations as borrowers to more in-depth training programs offered to clients as a separate product or as a requirement for joining the institution. Most agreed that financial institutions should be a channel for disseminating some educational materials or trainings, but are not well-positioned to deliver the full scope of what is needed because a) it is typically too expensive for them to offer, and b) may represent a conflict of interest, where institutions may lean training programs more towards advertising than education.
- **Industry Support Organizations:** In many discussions at the Forum, the idea that industry support organizations such as networks, consumer protection agencies or targeted NGOs might do well with the responsibility of educating clients was raised. Networks could potentially partner with organizations dedicated specifically to client financial education to develop materials that would work in the local market context, as well as serve as a hub for hosting trainings and courses on behalf of their MFI membership. Many participants felt that this is exactly the type of role to be played by third party industry support organizations that do not have any conflict of interest but do know the local market intimately, and have as their core mission to handle tasks such as this which do not fall clearly under the core mandate of any other industry stakeholder groups.
- **Donors:** Many participants agreed that financial education programs should be funded by donors. As they tend to be expensive and highly experimental, financial education programs should not divert often scarce resources away from regulators or MFIs. Whereas investors should typically remain focused on funding MFIs' core operations, financial education might be an appropriate area for donors to fund as it is critical to the success of the industry but is not typically as obvious a business or profit opportunity.

One particularly innovative idea for who the responsibility of client financial education should fall to came from a representative of the Reserve Bank of Malawi (RBM). The idea proposed was to set up a separate agency within the RBM that would focus exclusively on consumer protection and market conduct, including financial education. This agency would then work with the local network on a number of issues, including reporting and capacity building. Such an agency would then have the backing of the regulator, the on-the-ground knowledge of the network and the clear mandate of addressing client-centric issues. As client financial education is a unique challenge for an industry where most clients are otherwise financially excluded and minimally educated, this type of innovative thinking might be the only way to effectively address the client component of transparent pricing.

Next Steps

The discussion of client financial education at the African Microfinance Pricing Transparency Leadership Forum suggests that there are still many questions to answer before determining the best approach to client financial education. One group of participants discussed an interesting philosophical quandary. Discussions of pricing disclosure policy imply that institutions should be required to disclose as much information about pricing as possible. Discussions about client financial education suggest that clients are more likely to understand information the simpler it is. Does this imply that pricing disclosure and financial education are fundamentally at odds? Are we facing a tradeoff between disclosing detailed pricing information so we have "transparent" markets *or* disclosing information that clients will actually understand?

MFTransparency's answer to this is that in order to practice responsible microfinance clients must have the information they need to make informed decisions about the cost of borrowing, both the information they understand and the information they do not understand yet. Clients will never understand information that isn't shared with them. Perhaps the first step toward client financial education then is simply *transparency*. Rather than deciding for them what is too complex, if the industry gives clients the tools they need they will demonstrate what they are capable of. So, prior to designing and implementing full-scale financial education programs and mechanisms, we should simplify the terms of financial products and make contract language clear and straightforward.

Discussion Insights: Stakeholder Roles & Responsibilities

The African Microfinance Pricing Transparency Leadership Forum brought together a range of different stakeholder groups in the microfinance markets of Africa, including regulators and policymakers, networks and consumer protection agencies and technical assistance providers and experts. Given this diverse group the Forum itself was based on the premise that meaningful discussion about pricing disclosure must include a range of stakeholder types. This underlying concept arose again and again as participants discussed a range of issues relating to pricing transparency facing the industry today.

The following sections provide an overview of some of the potential roles participants discussed for different stakeholder groups in the microfinance industry, as well as the relationships between them, in terms of facilitating transparent pricing.

Policymakers & Regulators

Primary Role

Policymakers and Regulators play a vital role in facilitating pricing disclosure within the microfinance industry. They can improve practices by designing and implementing policies that facilitate transparent pricing practices, pricing disclosure to clients, and the reporting and publishing of pricing information for the broad benefit of the industry in general.

Designing & Implementing Pricing Disclosure Policies

Forum participants agreed that policymakers and regulators of African microfinance markets should develop and implement policies that facilitate transparent pricing on three main levels:

1. Financial institutions practicing transparent pricing and using standardized pricing calculations internally,
2. Financial institutions disclosing pricing practices to clients, and
3. Financial institutions regularly reporting on pricing practices to the regulator, which should then be shared with the general public.

Examples of policies that might facilitate this multi-level transparency include the banning of the use of flat interest rates, the implementation of an official pricing formula that requires the disclosure of effective rates and the development of mandatory loan documentation templates for disclosing prices to clients.

Delegating Supervision Responsibilities Among Various Entities

In order to effectively serve the roles outlined, many participants discussed the need for dividing the traditional regulatory bodies into specialized sub-agencies. For example, to enable a traditional supervisory department to effectively oversee operations of financial institutions it might make sense to develop a separate agency for consumer protection and market conduct. As an alternative, regulators and policymakers might consider delegating some responsibilities to microfinance networks. For example, networks could be tasked with supervising the financial institutions that are excluded from the regulatory framework, or perhaps the smaller, less developed organizations, such as non-profits or non-governmental organizations. Policymakers and regulators might also consider making membership of regulated institutions in the local network mandatory in order to facilitate this process and strengthen the overall effectiveness of networks and cohesion within the market.

Paradigm Shift

Participants questioned the traditional role of policymakers and regulators in concept as well as practice. Some delegates argued regulators must facilitate disclosure to clients and the general public. Therefore there should be greater standardization of disclosure formats, processes and educating the recipients of such information. One practical idea for facilitating this shift was to incorporate a market conduct module into the traditional regulator's audit. By making a change like this the regulator sends a strong message about the importance of not only sound financial practice but responsible, transparent, client-focused practice as well.

Relationships with Other Stakeholders

In addition to the role played by regulatory agencies directly, participants discussed ways in which they should interact with other industry stakeholders. In the table below, different stakeholder groups are specified in the left-hand column and possible relationships that each can have with policymakers and regulators are proposed in the right-hand column.

Relationship Summary Table	
Stakeholder Group	Policymakers and regulators can...
Networks/Associations	Delegate some regulatory responsibilities, task with training MFIs for compliance
Financial Institutions	Listen to needs, Set disclosure guidelines, supervise, monitor and enforce as necessary
Media/Information Distribution Channels	Educate, ensure information reaches public
Investors & Donors	Enlist in the support of disclosure guidelines by asking donors to commit to only supporting institutions which are adhering to specific rules



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



	and regulations encouragement of policies, collaborate for donor-funded projects such as technical assistance and financial education,
Technical Assistance (TA) Providers, Experts and Industry Support Organizations	Request that they build capacity of MFIs' ability to comply, receive TA, work with policy experts to craft good policies
Industry Peers	Exchange experiences, share information

Networks & Associations

Primary Role

Forum participants, many of whom represented MFI networks and associations, identified the main role of this stakeholder group as conducting discussion among their members to develop standards for pricing disclosure, acting as a liaison between their membership and the regulatory agencies and identify capacity needs among members to coordinate the process of acquiring technical assistance.

Codes of Conduct

Forum participants discussed the idea that the role of networks in terms of facilitating pricing transparency might be done effectively through the development and maintenance of codes of conduct that among members stipulate standards for pricing disclosure. These types of official agreements ensure that the expectations of members are clearly specified and understood and that all members have officially agreed to commit to certain standards. One idea discussed by participants was having networks maintain codes of conduct that the regulators can use as a benchmark for proper behavior.

Facilitate Self-Regulation

As mentioned in the previous section, participants also discussed the idea of regulators delegating some responsibilities to networks, particularly in supervising conduct among officially unregulated institution types and possibly by supporting official pricing disclosure regulation among remote or undeveloped institutions where networks may have more influence and reach than the regulators themselves. A new BCEAO law requires all MFIs in WAEMU microfinance markets to join the national MFI network. This legitimizes the network, positioning them to support the regulator in activities such as pricing data collection, for example. Underlying the discussion of these ideas was one clear point: in order to maximize the effectiveness of networks and associations, other industry stakeholders must collaborate to build the capacity of these institutions.

Administrators of Financial Education Programs

One potential role that participants discussed for networks was taking the lead in promoting client financial education about pricing. This could include a number of activities such as conducting baseline studies to identify client financial education levels, administering government-mandated and/or designed client financial education programs or coordinating with donors and technical assistance providers to develop and implement client



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



financial education programs. Some participants believed that this role might better fall to consumer protection agencies or specialized NGOs, but regardless of the primary leader of these activities most agreed that networks have an important role to play as the voice of the industry and hub for information dissemination.

Relationships with Other Stakeholders

In addition to the role played by networks directly, participants discussed ways in which they should interact with other industry stakeholders. In the table below, different stakeholder groups are specified in the left-hand column and possible relationships that each can have with networks and associations are proposed in the right-hand column.

Relationship Summary Table	
Stakeholder Group	Networks and associations can...
Policymakers and Regulators	Help implement policy, communicate perspective of members, facilitate self-regulation
Financial Institutions	Help comply with policy, provide TA, communicate perspective to policymakers/regulators
Media/Information Distribution Channels	Help educate about pricing
Investors & Donors	Educate about market and their potential role
Technical Assistance Providers, Experts and Industry Support Organizations	Coordinate to provide TA to members, financial education programs
Industry Peers	Exchange experiences, share info, ask questions

Financial Institutions

Primary Role

As the organizations actually charging the prices, Forum participants agreed that the main role that financial institutions in the microfinance market play in facilitating transparent pricing is to practice responsible pricing, disclose prices to their clients and comply with the pricing disclosure standards required in the regulatory framework.

Self-regulation

Forum participants discussed the idea of self-regulation by MFIs at length. Should the pricing practices of financial institutions in the microfinance market be regulated by official external regulatory bodies or should the industry itself set standards for transparent pricing? The delegates did not reach a consensus but they did identify some important aspects of this question.

Some arguments in favor of self-regulation included the idea that voluntary, unified adoption of standards for pricing in the microfinance industry increases trust between market players and also clients, as the interests of all parties are seen to be taken into account. This might reduce the practice of institutions' cheating clients if it is seen that strong responsible practices are in place.

Arguments against self-regulation included the idea that enforcement is difficult, and that a third party agency is needed for this. In addition some delegates raised questions about the ability to verify pricing data reported and published by industry bodies themselves. In addition, without a legal framework for pricing disclosure some feared that there would be a lack of clarity around what should be reported, particularly because institutional capacity for calculating pricing tends to be limited.

Despite disagreements on these points participants agreed on a basic level that the most effective way to facilitate transparent pricing is through a combination of self-regulation and external, official regulation. Therefore, institutions should play both the role of regulated and regulator in different ways.

Educating Clients

There was much discussion at the Forum about the role of MFIs in providing clients with financial education about the cost of borrowing. Some saw efforts by MFIs to publish and explain pricing information in their premises and brochures, as well as administer ongoing training programs to clients, as a laudable and important effort toward true client protection. However, some saw an inherent conflict of interest in MFIs providing client financial education, citing the impossibility of differentiating between advertising and true education. Education programs can also often be a drain on the financial and human resources of MFIs operating on tight budgets. The ultimate consensus was that while MFIs are responsible for explaining pricing to clients as well as their responsibilities and rights, this should be supplemented by in-depth educational programs by third-parties.

Relationships with Other Stakeholders

In addition to the role played by financial institutions directly, participants discussed ways in which they should interact with other industry stakeholders. In the table below, different stakeholder groups are specified in the left-hand column and possible relationships that each can have with financial institutions are proposed in the right-hand column.

Summary Table	
Stakeholder Group	Financial institutions can...
Policymakers and Regulators	Comply with policies, report, express challenges/perspective
Networks/Associations	Report as necessary, contribute to building standards, comply with code of conduct
Media/Information Distribution Channels	Educate about pricing



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Coopération luxembourgeoise



Investors & Donors	Be transparent about pricing
Technical Assistance Providers, Experts and Industry Support Organizations	Receive training on implementing transparent practices and compliance with policies
Industry Peers	Exchange experiences, share info, ask questions

Investors & Donors

Primary Role

Delegates to the Forum agreed that the primary roles that investors and donors can play to facilitate transparent pricing are to finance microfinance service providers that practice transparent pricing, require partners to adhere to pricing disclosure policies and provide support to enable partners to adopt and maintain responsible practices.

Specific Role of Donors

As funders that do not seek a financial return, delegates to the Forum discussed ways that donors could help facilitate transparent pricing by funding activities that do not fall within the core mandate of other stakeholder groups and would place untenable resource constraints on them as well. For example, donors could potentially fund client financial education programs focused on pricing. They could also finance the provision of capacity building services to MFIs, networks and even regulators to enhance understanding of pricing calculations and the ability to implement standards for pricing transparency.

Specific Role of Investors

As funders applying a more commercial approach to supporting the microfinance industry, Forum participants discussed ways for investors in MFIs to use their influence to facilitate transparent pricing. For example, investors ensure that they only invest in institutions complying with pricing disclosure policies and verifying as part of due diligence. In addition, they can collect pricing information for their MFI partners and check it against the same information published by regulatory authorities to ensure consistency.

Relationships with Other Stakeholders

In addition to the role and responsibility played by investors and donors directly, participants discussed ways in which they should interact with other industry stakeholders. In the table below, different stakeholder groups are specified in the left-hand column and possible relationships that each can have with investors and donors are proposed in the right-hand column.

Relationship Summary Table	
Stakeholder Group	Investors and donors can...
Financial Institutions	Encourage transparent pricing practices, only invest in institutions following disclosure guidelines
Policymakers and Regulators	Support policies by requiring same info from partners
Networks/Associations	Support standards by requiring same info from

	partners
Media/Information Distribution Channels	Educate about pricing
Technical Assistance Providers, Experts and Industry Support Organizations	Finance and receive training and financial education programs
Industry Peers	Exchange info to verify pricing info

Industry Support Organizations

Primary Role

Industry support organizations come in many forms, including technical assistance providers, research institutes and experts and NGOs specialized in a number of specific areas. In general, their primary role in facilitating pricing transparency is to provide expertise and advisory services to stakeholder groups in their given area of focus.

Services for Different Stakeholder Groups

There is a great need among all microfinance industry stakeholder groups for capacity building and training on pricing calculation and disclosure practices. For MFIs, training is needed on calculating prices, effectively disclosing prices to clients and ensuring understanding among MFIs of pricing disclosure policies. Direct technical assistance providers like MFTransparency are well-placed to play this role. On the level of regulators and policymakers, industry support organizations should also provide education on the reality of pricing in microfinance to better inform their process for developing appropriate standards for disclosure. Policy experts such as the Alliance for Financial Inclusion (AFI) work closely with policymakers and regulators to develop this knowledge. If the full potential of networks in terms of facilitating transparent pricing practices is to be realized, especially if regulators and policymakers allocate additional responsibilities to them as suggested in previous sections, these organizations will also need training and education. Regional networks such as the African Microfinance Network (AFMIN) could work with specialized TA providers to develop training programs for national networks. On the client level, industry organizations focused on financial education should be contracted as experts in developing programs to educate borrowers on understanding pricing.

Compliance with Pricing Disclosure Policy

In addition to training and TA, industry support organizations could play a role in supporting the adoption of new pricing disclosure policy among MFIs. In many cases new policies are slow to be recognized because MFIs do not understand them or do not have the capacity to adjust their methodology to comply. In these cases, industry support organizations could provide software and tools for calculating loan prices that would make the process for MFIs to comply with reporting requirements significantly easier. This would ideally be done in conjunction with regulators and policymakers but TA providers, software developers or specialized NGOs addressing this need could work directly with MFIs as well.

Relationships with Other Stakeholders

In addition to the role and responsibility played by industry support organizations directly, participants discussed ways in which they should interact with other industry stakeholders. In the table below, different stakeholder groups are specified in the left-hand column and possible relationships that each can have with industry support organizations are proposed in the right-hand column.

Relationship Summary Table	
Stakeholder Group	Industry support organizations can...
Financial Institutions	Provide training and capacity building to comply to policies and implement transparent pricing practices
Policymakers and Regulators	Provide expertise in policy development/design
Networks/Associations	Partner to deliver TA to MFIs
Media/Information Distribution Channels	Educate about pricing
Investors & Donors	Partner to identify need and design programs for TA and capacity building
Industry Peers	Partner to design holistic packages of services for industry

Conclusions

Forum participants expressed that facilitating pricing transparency is an industry wide effort that will require the engagement of all stakeholder groups to be effective. In addition, each stakeholder group stands to benefit from transparent pricing so incentives are well-aligned.

Though not discussed explicitly as a separate stakeholder group, the role of the media and other information sharing agencies arose frequently during participants' discussions of different themes of pricing transparency. In particular because pricing is a sensitive and often misunderstood issue, the media can be a powerful tool for disseminating the right messages about transparent pricing. It is clear that this group must be engaged as the microfinance industry as a whole moves forward toward transparency, and all stakeholder groups have a role to play in ensuring that their role in this process is informed and constructive.

Finally, one of the most important themes discussed throughout the Forum was the concept of cross-learning and sharing among the counterparts of each stakeholder groups in different countries. Cohesion and communication within national microfinance markets is essential for building transparent practices, but there is much to be learned across borders as well. Microfinance markets throughout Africa are all facing some of the same challenges in facilitating pricing transparency, though at different stages, in different contexts and with different experiences. One of the most valuable tools in making the development toward pricing transparency efficient, effective and sustainable is peer exchange.

The Way Forward

Many participants commented that this Forum was one of the liveliest industry events they have witnessed. Observing the discussions was quite exciting as all attendees actively participated, new ideas circulated in a constant flow and knowledgeable industry leaders discussed some of the most contested topics in microfinance. A few core ideas defined this event:

- **Exchange of experience is essential to effective practice.** As important as it is to become an expert in whatever specific geographic or topical area of the industry that you inhabit, it is equally vital to learn from peers in other areas so that lessons can be applied in different country contexts or so that the same mistakes are not made elsewhere.
- **Innovation is inherent to building transparent markets.** Policymakers in Africa understand that to effectively regulate for transparency they need to be innovative and go beyond established practices to identify new approaches that will increase transparency while not making it too difficult or expensive to serve clients currently unserved or underserved.
- **All members of the ecosystem are engaged.** Many partnerships are forming between different regulatory bodies as well as networks, consumer protection agencies and other industry support organizations. The best policy is only as effective as its implementation, and African microfinance industry stakeholders are working closely to put in place policies that are practical and benefit the industry as a whole.
- **Africa is setting an example for the rest of the industry.** The regulators of African microfinance markets are committed to building strong, transparent microfinance markets. More mature markets are taking a bold look at how to restructure policies to incentivize pricing disclosure, and more nascent markets are incorporating pricing transparency into the core of their policy frameworks as they are developed.

In order to maximize the ongoing potential for the microfinance industry to learn from this important event, *MFTransparency* published all the presentations and related resources from the event on the website. This report is intended to be used as an educational resource as well, drawing out themes that a range of industry stakeholders can use to shape discussions and strategies for facilitating pricing transparency through innovative policy measures. Many participants are already beginning to implement their action plans.

Thank you to our Steering Committee – comprised of representatives of Agence Française de Développement (AFD), UNCDF, CGAP and the African Microfinance Network (AFMIN) – the funders of the event (AFD, Luxembourg Cooperation and UNCDF), our speakers, moderators and discussion facilitators and all the participants for their contributions to making the Forum a truly valuable platform for discussion and planning.

Appendices

Lead Funder

Agence Française de Développement (AFD)

*Lead Funder of the African Microfinance Pricing
Transparency Leadership Forum*



Agence Française de Développement (AFD) is a bi-lateral development finance institution established in 1941 that works on behalf of the French government. Its mission is to finance development according to France's Overseas Development Assistance policies. AFD's activities are aimed at reducing poverty and inequalities, promoting sustainable economic growth, and protecting "Global Public Goods" of benefit to all humanity.

As part of the fight against poverty strategy, AFD promotes greater access to financial services by supporting the emergence and consolidation of financially and institutionally sustainable microfinance institutions.

AFD has more than 20 years of experience in microfinance, with the objective of increasing financial accessibility in poor and emerging countries. Since 2002, the microfinance activities of AFD, together with its private sector affiliate Proparco, have represented over 373 M euros of cumulated investments.

Both entities offer a large variety of financial and non-financial instruments to support microfinance activities: equity, loans in hard and local currency, grants, guarantees, and research and knowledge management.

AFD has a long-standing involvement in microfinance in Sub-Saharan Africa, targeting in priority underserved areas or segments (rural, SMEs). This region is the first beneficiary of AFD's commitments in microfinance (40% in 2010). AFD also has particularly extensive experience in microfinance within fragile and post-crisis countries.

Through the collaboration of a specialized microfinance team based in Paris and its network of 66 local representations, AFD works hand-in-hand with many partners to foster financial accessibility.

AFD, a signatory of the Smart Campaign, is committed to fostering responsible practices in microfinance. Apart from developing specific requirements on responsible finance and social performance in its projects, AFD works with partners to increase awareness on those issues. For example, AFD supports CGAP and its CAPAF training programme, which aims at building capacities and fostering local synergies between microfinance practitioners in 19 countries in sub-Saharan Africa.

AFD is very pleased to support the African Microfinance Pricing Transparency Leadership Forum, the first ever event bringing together African leaders to discuss and develop policy and practices for responsible microfinance in their local markets.



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Coopération luxembourgeoise



Steering Committee

The following individuals contributed to the development and planning of the African Microfinance Pricing Transparency Leadership Forum, contributing to the content of the agenda, culling the list of invited participants and conceptualizing the overall event.

Mr. Davy Serge Azakpame

Chief Executive Officer

African Microfinance Institutions Network (AFMIN)

Davy Serge AZAKPAME, Chief Executive Officer of AFMIN, joined AFMIN in 2005. As CEO of AFMIN, he designed regional and country-specific programs which address the needs of networks members and the microfinance sector in Africa. He trained network leaders in Performance Monitoring analysis and tools within Africa and organized some regional conferences and trainings on different topics (Innovations, Microenterprise, Social Performance Management, Rural Finance, Performance Monitoring, Network sustainability, Network Assessment). He coordinates SPM regional projects and Consumer Protection initiatives in Africa. He served as a consultant at UNDP, UNCDF, MIX, Women's World Banking, Frankfurt School of Finance and Management, European Union and Planet Finance. He is also a member of the Global Microcredit Summit Committee and the Social Performance Task Force. He holds, from Morocco, a Masters Degree in Agricultural Economics with a major in Rural Economics.

Ms. Alexandra Fiorillo

Chief Operating Officer, Global Programs

MicroFinance Transparency

As Chief Operating Officer of MicroFinance Transparency, Alexandra oversees global programs and operations for all Transparent Pricing Initiatives. She has ten years of experience in the microfinance industry and with experience in Africa, Asia, Latin America and the Middle East. Before joining *MFTransparency* she worked for ACCION International on the Marketing and Product Development and Global Investments teams.

Prior to ACCION, Alexandra worked as a microfinance consultant to numerous organizations including Microfund for Women in Jordan, DFID's Financial Sector Deepening Project of Uganda, Agora Partnerships in Nicaragua, and Development Alternatives, Inc./USAID. She was a Fulbright Scholar in Ecuador and conducted research on rural and indigenous microfinance in the Amazon jungle. Alexandra holds a Master of International Affairs from Columbia University and a Bachelor of Arts in Economics and Latin American Studies from Connecticut College where she wrote her Honors Thesis on Banco Solidario in Ecuador.

Mr. Djibril Maguette Mbengue

Microfinance Specialist

Consultative Group to Assist the Poor (CGAP)

Djibril joined CGAP in 2007 as part of Africa Team and has been involved in “Government & Policy and Donors/Investors” activities. In 2009, he became a member of CGAP’s Government and Policy Team, focusing on issues and activities within Sub-Saharan Africa. Since 2011, he has been leading CGAP’s “Regulation and Supervision” activities. Djibril serves as trainer in CGAP’s financial and operational management courses for MFIs and donor-investors, and he is a member of the Boulder microfinance faculty since 2005. Before joining CGAP, he was a portfolio technical manager at the United Nations Capital Development Fund where he was involved in several inclusive finance projects in West and Central Africa. From 2000 to 2004 he served as director of operations at REMIX, a microfinance consulting firm. Previously, Djibril was responsible for Internal Control at Crédit Mutuel du Senegal, a savings and credit cooperative network. He holds a master’s degree in business administration and speaks English and French.

Ms. Beth Porter

Policy Advisor, Financial Inclusion

United Nations Capital Development Fund (UNCDF)

Ms. Beth Porter has over twenty years of experience in microfinance and organizational development in 30 countries in Africa, Asia and Latin America. Ms. Porter is Policy Advisor at UNCDF where she provides policy guidance and support to the global team on financial inclusion. She previously launched and directed the YFS-Link initiative at Making Cents International to build the capabilities of financial services providers and youth-serving organizations in youth-inclusive financial services. At Freedom from Hunger, Ms. Porter led program strategy and managed delivery of integrated microfinance services to 1.2 million women and their families in 16 countries. Ms. Porter has provided technical assistance and training in strategic and business planning, product design, and organizational effectiveness and operational efficiency, and is experienced in program appraisal, design and evaluation. Ms. Porter is on the boards of the SEEP Network, the Bolivian MFI CRECER, the Smart Campaign, Child and Youth Finance International, and the YFS-Link initiative. She is also a founder of Women Advancing Microfinance (WAM)-International and past Chair of WAM-Northern California.

Ms. Caroline Rozières

Investment Officer, Financial Sector and Private Sector Development Unit

Agence Française de Développement (AFD)

Caroline Rozières is an investment officer at AFD where she appraises and supervises microfinance projects in Africa (Mali, Burkina Faso, Niger and Côte d’Ivoire) and in the Middle East (Lebanon, Jordan). She has conducted projects involving both direct support to microfinance institutions and the strengthening of the financial infrastructure.

She worked for several years as an advocacy officer in international development NGOs in Brussels and Paris, before joining AFD in 2008. She collaborated on various articles and publications on development aid, such as Severino and Debrat’s “Idées Reçues: l’aide au développement” (le Cavalier Bleu, 2009).



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Coopération luxembourgeoise



Caroline holds two Masters Degrees in public affairs and international law from the Paris Institute of Political Studies and the Panthéon-Assas University (Paris, France).

Mr. Chuck Waterfield

Chief Executive Officer

MicroFinance Transparency

Chuck Waterfield has 25 years of experience in microfinance, with a mixture of practical field experience (six years starting MFIs in both Haiti and Bolivia) and experience leading network strategy development (serving as microenterprise director for both MEDA and for CARE International). He developed Microfin, the most popular financial planning software in the microfinance industry and teaches business planning courses around the world, with more than 3,000 microfinance professionals having been trained in his courses. His current work as an independent consultant includes clients across the industry.

Currently on faculty of Columbia University School of International and Public Affairs, he was formerly on the faculty of the Boulder Microfinance Training Program for ten years and Southern New Hampshire University's Microenterprise Development Institute for eight years. In addition to Microfin, he has a broad range of products and publications including the SEEP FRAME Tool, the CARE Credit and Savings Sourcebook, and CGAP Handbook on Management Information Systems. In 2008, he founded MicroFinance Transparency and works as the CEO.



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Coopération luxembourgeoise



Agenda

Day 1: Wednesday October 5, 2011

Time	Session & Speakers
08:30 - 09:00	Registration & Welcome Coffee/Tea
09:00 - 09:30	Opening Session and Introductions
09:30 - 11:00	Training Session 1 MFTransparency How Microfinance Differs from Traditional Finance
11:00 - 11:30	Coffee and Tea Break
11:30 - 12:45	Training Session 2 MFTransparency Overview of basic interest rate and pricing methods
12:45 - 14:00	Lunch
14:00 - 15:30	Training Session 3 MFTransparency Calculating Prices: Variety Among Official Country Rates
15:30 - 16:00	Coffee and Tea Break
16:00 - 17:30	Training Session 4 MFTransparency Pricing Disclosure and Truth-in-Lending Policy: International Examples and Standards
17:30 - 18:00	Closing Session Q&A

Day 2: Thursday October 6, 2011

Time	Session & Speakers
08:30 - 09:00	Registration & Welcome Coffee/Tea
09:00 – 09:45	Inaugural Address <ul style="list-style-type: none"> • Mr. Yves Terracol, Regional Director, Agence Française de Développement • Mr. Chuck Waterfield, CEO, MicroFinance Transparency • Professor Njuguna Ndung’u, Governor, Central Bank of Kenya
09:45 – 10:30	Topic: Standards for Responsible Finance <ul style="list-style-type: none"> • Mr. Djibril Maguette Mbengue, Microfinance Specialist, CGAP • Ms. Justine Bagyenda, Executive Director Supervision, Bank of Uganda • Mr. Chuck Waterfield, CEO, MicroFinance Transparency
10:30 – 11:00	Coffee and Tea Break
Workshops & Roundtables	
11:00 – 11:30	Pricing Calculation <i>Foundation Presentations</i>
11:30 – 12:30	Pricing Calculation <i>Breakout Sessions (Roundtable Discussions)</i>
12:30 – 13:00	Pricing Calculation <i>Report Back</i>
13:00 – 14:15	Lunch

Day 2: Thursday October 6, 2011, Continued

Time	Session & Speakers
14:15 – 14:45	Standards for Reporting <i>Moderated Discussion</i>
14:45 – 15:45	Standards for Reporting <i>Breakout Sessions (Roundtable Discussions)</i>
15:45 – 16:15	Standards for Reporting <i>Report Back</i>
16:15 – 16:30	Coffee and Tea Break
16:30 – 17:30	Overview of Available Resources <i>Short presentations from various industry experts and initiatives on resources available to promote pricing transparency, consumer protection and financial education</i>
19:00	Gala Dinner

Day 3: Friday October 7, 2011

Time	Session & Speakers
09:00 – 09:30	Financial Education <i>Moderated Discussion</i>
09:30 – 10:30	Financial Education <i>Breakout Sessions (Roundtable Discussions)</i>
10:30 – 11:00	Financial Education <i>Report Back</i>
11:00 – 11:30	Coffee and Tea Break
11:30 – 13:00	Country Delegation Planning Session <i>Technical assistance providers and experts present for consultation Opportunity for country to country meetings</i>
13:00 – 14:15	Lunch
14:15 – 15:45	Country Delegation Planning Session <i>Technical assistance providers and experts present for consultation Opportunity for country to country meetings</i>
15:45 – 16:00	Coffee and Tea Break
16:00 – 16:45	Forum Highlights
16:45 – 17:30	Closing Remarks <i>Beth Porter, UNCDF</i>

Participant List

Country Pays País	Organization Organisation Organização	Name Nom Nome
Benin	AFMIN	Davy Serge Azakpame
Benin	Assemblée National du Bénin	Gilbert Bangana
Benin	BCEAO	Salem P. AOUTCHEME
Benin	Cellule de Surveillance des Systemes Financiers Decentralises (CSSFD)	Louis BIAO
Benin	Consortium Alafia	SALIOU Salomon
Benin	FNM	Komi Koutche
Benin	Ministry of Microfinance	Ibrahim Pedro-BONI
Burkina Faso	APSPD/BF	Alizèta Léticia COMPAORE
Central African Republic	Ministere des Finances du Budget	Saba Abdias
Centre African Republic	Association Professionnelle	Laurine Claire Mbombate
Centre African Republic	Programme d'Appui à l'Emergence du Secteur Inclusif et Financier (PEA/SFI) en Centrafrique	Dominique MALO
Comoros	UNCDF	Comlanvi Houenou
DRC	Banque Centrale du Congo	Serge Mputu Nzou
DRC	Direction de la Surveillance des Institutions Financières	Marie Josée Ndaya
DRC	Ministère des Finances	Patrice Kitebi
DRC	PASMIF II- RDC/PNUD/UNCDF	Monah Andriambalo
DRC	Président de la Commission Economico-financière	Patrice Ezaty Mereko
Ethiopia	AEMFI	Wolday Amha
Ethiopia	Ministry of Finance and Economic Development	Semere Tesfaye
Ethiopia	National Bank of Ethiopia	Abate Mitiku
France	AFD	Philippe Serres
France	AFD	Caroline Rozières
Ghana	GHAMFIN	Yaw Gyamfi
Ghana	MFTransparency	Joseph Kiirya
Ghana	Ministry of Finance (MoFEP)	Yvonne Quansah
Ghana	Ministry of Finance and Economic Planning (MoFEP)	Kobina Amoah
Guinée Bissau	APSPD/GB	Sulé Baldé IVO
Guinée Bissau	BCEAO	Removille DA CRUZ
Guinée Bissau	Célula de Apoio ao Desenvolvimento da Economia Solidária Poupança e Crédito (CADESPC)	Alexandra António Da Silva

Country Pays País	Organization Organisation Organização	Name Nom Nome
Guinée Bissau	Célula de Apoio ao Desenvolvimento da Economia Solidária Poupança e Crédito (CADESPC)	Wilqueia Seminate
Guinée Bissau	Ministério da Economia Plano e Integração Regional	Fortes Buli Injai
Ivory Coast	APSPD / CI	Aka Gnoumon
Ivory Coast	APSPD / CI	Cyril Tanoe
Ivory Coast	BCEAO	George Diaw
Ivory Coast	Direction de la Microfinance	Allangba Koffi Kan
Kenya	AFD	Yves Terracol
Kenya	AFD	Guedi Ainache
Kenya	AFD	Léa Guillaumot
Kenya	AFD	Lucile Dhuy
Kenya	AFD	Pauline Morin
Kenya	Association of Microfinance Institutions (AMFI)	Ben Nkungi
Kenya	Central Bank of Kenya	Professor Njuguna Ndung'u
Kenya	Central Bank of Kenya	Shem Ouma
Kenya	Central Bank of Kenya	Daniel Tallam
Kenya	CGAP/DFID	Moses Ochieng
Kenya	Financial Sector Deepening Kenya	Bilha Maina
Kenya	Grameen Foundation	Erin Connor
Kenya	Grameen Foundation	Steve Wardle
Kenya	Kenya Bankers Association	Jared Getenga
Kenya	MasterCard Foundation	Paula Storch Tjossem
Kenya	Microfinanza Rating	Michael Fabbroni
Kenya	Planet Rating	Ingrid Smit
Kenya	Smart Campaign, Social Performance Task Force	Leah Wardle
Liberia	Central Bank of Liberia	Kolli Tamba
Liberia	Central Bank of Liberia	Musa Kamara
Liberia	LIFS (UNCDF/UNDP)	Abdoul Anziz Said Attoumane
Liberia	Ministry of Finance	Boima Kiadii
Liberia	Ministry of Planning	Armaso B. Bawn
Liberia	UNDP	John Walker
Madagascar	APIMF	Randrianiaina RAKOTOARIVAO
Madagascar	CNMF (Coordination Nationale de la MicroFinance)	Tiana RAMPARANY RAMANARIVOSOA
Madagascar	Commission de Supervision Bancaire et Financiere (CSBF)	Lala Edwin P. RABEANTOANDRO
Madagascar	UNCDF	Bakoly Tiana Rafanoharana
Malawi	Bankers Association of Malawi	Lyness Nkungula

Country Pays País	Organization Organisation Organização	Name Nom Nome
Malawi	FIMA (UNCDF)	Fletcher Chilumpha
Malawi	Malawi Microfinance Network	Stewart Kondowe
Malawi	Ministry of Finance	Emily Chirwa
Malawi	Reserve Bank of Malawi	Lanjes Sinoya
Malawi	Reserve Bank of Malawi	Eldin Mlelemba
Mozambique	DNPDR	Isabel Cossa
Mozambique	DNPDR	Leia Bila
Mozambique	MF <i>Transparency</i>	Hélia Nsthandoca
Mozambique	UNCDF	Oumou Sidibé Van Hoorebeke
Niger	ANIP-MF	Lawali SOULEYMANE
Niger	BCEAO	Sama Mamane
Niger	MF <i>Transparency</i>	Bachir Amadou
Niger	Ministère de l'agriculture et de l'élevage	Bakabé Ousseini
Rwanda	AMIR	Peter Rwema
Rwanda	AMIR	Rita Ngarambe
Rwanda	MF <i>Transparency</i>	Jessica Massie
Rwanda	UNCDF	Amani Mbale
Senegal	BCEAO	Ghépié Anin
Senegal	BCEAO	Mamadou NDIAYE
Senegal	DMF (Direction de la Microfinance)	Amadou Sall Dial
Senegal	MF <i>Transparency</i>	Mélina Djre
Senegal	Observatoire de la Qualité des Services Financiers	Papa CISSE
Senegal	Projet AFR/017 "Promotion de Secteurs Financiers dans la Zone UEMOA"	Anne Bastin
Senegal	Supervisor Department - Ministry of Finance	Amar Seck
Senegal	UNCDF	Alimata Sanogo Touré
Sierra Leone	Association of Commercial Banks	Obalisi Turner
Sierra Leone	Bank of Sierra Leone	Samuel Jabbie
Sierra Leone	UNCDF	Lorisa Canillas
South Africa	National Credit Regulator	Darrell Beghin
South Africa	National Credit Regulator	Rajeen Devpruth
South Africa	UNCDF	Issa Barro
Tanzania	Bank of Tanzania	Janeth Hiza
Tanzania	Bank of Tanzania - Microfinance Supervision Department	Harry Ndambala
Tanzania	Consumer Advocacy Society	Bernard Kihyo
Tanzania	Tanzania Association of Microfinance Institutions (TAMFI)	Winnie Terry
Thailand	AFI	Crispin Bokea
Togo	APIM-TOGO	Ali Patouani
Togo	BCEAO	Sama Salé Takpara

Country Pays País	Organization Organisation Organização	Name Nom Nome
Togo	Cellule d'Appui et de Suivi des Institutions Mutualistes d'Epargne et de Crédit (CASIMEC)	Esodong Kpizing
Togo	Comité National de Microfinance (CMN)	Jacques Koami Nagnimari
Uganda	AMFIU	David BAGUMA
Uganda	Bank of Uganda	Olive Kumali
Uganda	Bank of Uganda	Justine Bagyenda
Uganda	Microfinance Support Centre Limited (MSCL)	Wilson Wamatsembe
Uganda	Ministry of Microfinance	Kaggwa Moses
USA	CGAP	Djibril Mbengue
USA	MFTransparency	Alexandra Fiorillo
USA	MFTransparency	Chuck Waterfield
USA	MFTransparency	Jordan Filko
USA	Microfinance Information eXchange (MIX)	Audrey Linthorst
USA	UNCDF	Beth Porter
Zambia	AMIZ	Webby Mate
Zambia	Bank of Zambia	Gladys Chongo Mposha
Zambia	Bank of Zambia	Joseph Munyoro
Zambia	Bank of Zambia	Richard Chirwa