



RESPONSIBLE FINANCE

IN PARTNERSHIP WITH



WHAT WE DO

IFC, a member of the World Bank Group, focuses on the private sector to promote growth, reduce poverty, and improve peoples' lives in developing countries. With a network of over 1000 clients in 100 countries, IFC is the world's largest multilateral financier for companies that do business in emerging markets. IFC finances and advises clients to support profitable and sustainable business development in these markets. IFC's Access to Finance Advisory Services (A2F) increases the availability and affordability of financial services for individuals and micro, small, and medium enterprises. Responsible Finance, part of the A2F Advisory offer, is defined as a set of operational practices that focuses on the needs of end clients, encompassing issues of transparency, disclosure, fairness of pricing, dignified treatment of customers, and product and services quality, to ensure sound provision of financial services.

RESPONSIBLE FINANCE AT IFC

The enduring global financial crisis underscores IFC's commitment to advance responsible finance across three pillars:



Consumer Protection Regulation

▪ **Consumer Protection Regulation:** Supporting industry-wide customer protection regulation around principles of transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; mechanisms for complaint resolution; and financial education and awareness programs.



Financial Institutions Self Regulation

▪ **Financial Institutions Self-regulation:** Embedding responsible finance practices into business functions across strategy & governance, customer acquisition and relationship management, product design and delivery channels, processes and risk management, and financial education.



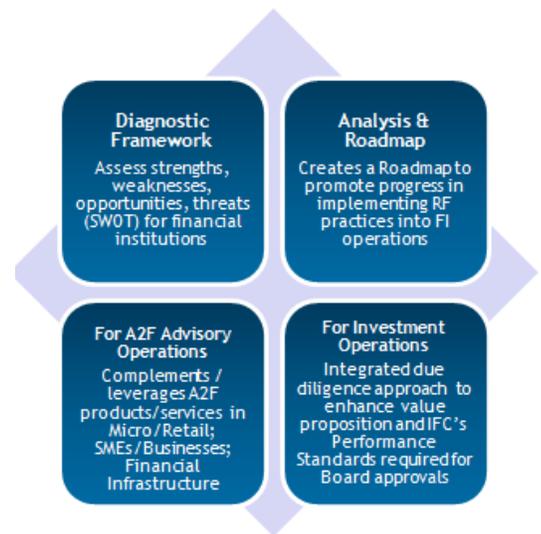
Financial Education

▪ **Financial Education:** Building capacity of end clients through broad-based financial awareness, financial literacy and financial education programs at the sector level and through financial institutions.

RESPONSIBLE FINANCE DIAGNOSTIC

IFC's Responsible Finance diagnostic tool supports institutions in operationalizing responsible finance interventions within their business. The tool provides specific recommendations to design targeted A2F advisory services across core client protection principles, tailored across A2F products and adapted to the local market context.

The tool provides analysis and recommendations for institutions seeking to adopt responsible finance practices. Main areas of assessment include: **(I) Market Assessment:** considers the existence of regulations relevant to fulfill responsible finance practices and whether institutions can achieve their commitment and capacity to self-regulate responsible finance practices, and **(II) Institutional Assessment:** covers core operational areas in financial institutions: (1) Strategy & Governance; (2) Customer Acquisition & Relationship Management; (3) Products Offered; (4) Delivery Channels; (5) Process & Risk Management -- in addition to (6) Financial Education practices.



RESPONSIBLE FINANCE

IFC ADVISORY SERVICES



Photo Credit: Kaushik Majumder

Bringing the Client Back Into Focus

IFC'S GLOBAL CONVENING ROLE

IFC's Responsible Finance Advisory plays a global convening role and convenes participants from the financial sector, bilateral and multilateral donors and broader international community through the G20 Global Partnership for Financial Inclusion. IFC also co-founded the sector-wide Responsible Finance Forum in 2010 with the Federal Ministry for Economic Cooperation and Development (BMZ) and Consultative Group to Assist the Poor (CGAP). IFC has also collaborated globally on client protection principles **. IFC continues to collaborate with the global Responsible Finance Forum through a joint responsible finance global mapping and the annual Responsible Finance Forum (RFF IV in 2013) that will focus on Insurance.

[**www.smartcampaign.org](http://www.smartcampaign.org)

[**www.sptf.info](http://www.sptf.info)

RESPONSIBLE FINANCE GLOBAL PORTFOLIO

IFC has supported its clients to implement responsible finance interventions to deepen outreach and expand product offerings sustainably. IFC to date has helped to incentivize over 65 institutions worldwide, to implement responsible finance solutions across microfinance, insurance, housing finance, sustainable energy finance, mobile banking, agri-finance and credit reporting. IFC embeds responsible finance principles into the core delivery of financial services, enabling financial institutions to balance profitability with inclusive finance, and contribute to creating shared value to advance sustainable growth.

Good Practice: Capturing Client Feedback

China Foundation for Poverty Alleviation (CFPA) Microfinance, China, one of the largest microfinance institutions in China, was first established in March 1989 as an NGO which transformed into a commercial institution, following the steady growth of the microfinance sector in China. An IFC investee and advisory client, CFPA, is today a market leader in responsible finance, with strong management & board commitment and customer focused business practices. CFPA conducts regular client satisfaction surveys to ensure client feedback is captured and reflected in product innovation and improvement of services.

Good Practice: Establishing Debt Counseling Center

In Bosnia, where over-indebtedness has challenged the entire microfinance industry, IFC and others established the region's first debt counseling center. IFC is also launching the SMART certification program for responsible lending. Moreover, IFC works with a number of MFIs across the region helping them transform into deposit-taking organizations; with policymakers and industry bodies to improve the regulatory environment for microfinance, and recently with the microfinance industry to introduce responsible lending practices.

Good Practice: Incentivizing Staff for Portfolio Quality

Utkarsh Microfinance, India, an IFC investee and advisory client serves some of the poorest, under-penetrated low-income states of India. Utkarsh has capped the maximum number of loan accounts that one staff member can handle, as an incentive to ensure portfolio quality. It has demonstrated that responsible finance practices are not only good for clients but are also good for business. Responsible finance practices are indeed a contributing factor to their sustainability, portfolio quality and growth while operating in some of the poorest parts of the country.

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