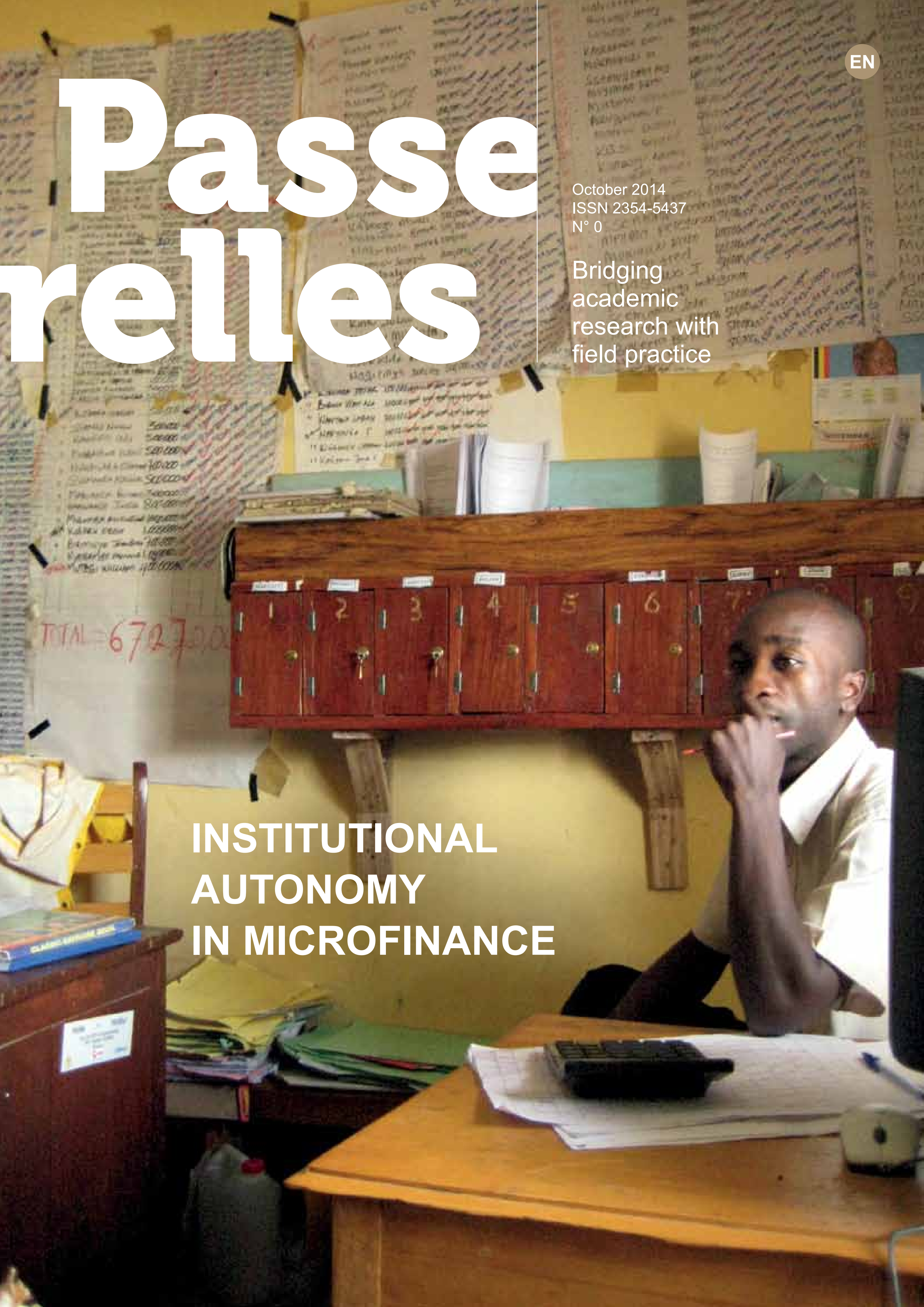

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Passerelles

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Bridging academic research with field practice

INSTITUTIONAL AUTONOMY IN MICROFINANCE

African Microfinance Week

Ouagadougou, BURKINA FASO

The annual meeting for microfinance professionals in Africa

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THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
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African Microfinance Transparency

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African Microfinance MAIN Network

Summary



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Foreword

Passerelles, the new publication brought to you by ADA

Luc Vandeweerd[*]

Back in 1994, ADA launched its first newsletter, *DIALOGUE*, with two objectives in mind: reporting on the activities of the association and its various partners in the savings and credit sector, on the one hand, and analysing and reviewing subjects deemed interesting by community finance operators in greater detail, on the other. 36 issues of *DIALOGUE* have been published in three languages (French, English and Spanish) in just over 15 years.

The focus shifted to its second objective as the microfinance sector entered an era of strong growth all over the world in the late 1990s. It was in this context that *Newsbrief* was launched to complement *Dialogue* and respond to the rise of new information technologies, quickly garnering a great deal of subscribers, both in the North and the South, who received free monthly e-mails outlining major developments in the sector. ADA monitored the main websites in the sector, picked the most interesting news items, outlined them and provided links for readers who wanted to find out more. Subscribers received 10 issues of *Newsbrief* every year in English, Spanish and French until 2008, when the first microfinance portals focused on the inclusive finance community burst onto the scene.

PASSERELLES, the latest publication in this fine tradition, aims to bridge the gap between the world of research and analysis, on the one hand, and the field practice, on the other. It sets up a framework for debate, showcases and spreads the answers of the academic world to the big questions of development, and gives a voice to professionals in the trade. Its ultimate goal is to provide a platform for sharing knowledge and expertise.

PASSERELLES will be a biannual magazine featuring in-depth thematic studies, which will focus both on inclusive finance-related topics and on ground-breaking subjects linking the new frontiers of development to the needs of inclusive finance.

[*] Luc Vandeweerd, Strategic Director, ADA

Introduction

Laura Foschi* and Joaquim Monteiro*

ADA's inclusive finance[1] projects have driven human development throughout the last 20 years, based on an innovative approach which always puts human factors before financial ones. Its mission has always been firmly rooted in working together with its partners and sharing knowledge and experiences with them.

Founder Mia Adams[2] reminds us that: "ADA's methods have rested on two pillars over the past two decades: 1) developing projects and learning the lessons of their implementation; and 2) evaluating the projects carried out, analysing what has been done and identifying tools which are better suited to the needs of the populations". The ultimate goal was (and still is) to foster and enhance autonomy of microfinance institutions (MFIs), key to the autonomy of clients, the end beneficiaries of the projects.

ADA supports organisations and networks to develop and consolidate, firm in its conviction that sustainable growth in the sector depends on sharing and spreading knowledge.

New challenges

Following 20 years of continuous work in the field and keeping with these basic principles, time is ripe to debate the role of microfinance in human development and in tackling the new challenges facing the sector now known as "inclusive finance" and "financial inclusion".

Several crises have buffeted the sector over the last few years. How severe was their impact, and how can we shore up our defences? Has the participative, knowledge-sharing approach promoted by several stakeholders, including ADA, been replaced by fierce competition among MFIs, encouraged by new players whose only concerns are profitability and return on investment? Should clients and their socio-economic environment be seen as mere risks MFIs have to mitigate, or are client development and autonomy still among the ultimate goals of microfinance operators? How can institution sustainability be guaranteed without compromising autonomy? How can the degree of autonomy of MFIs and households financed by them be measured accurately?

These questions are just a few examples of the main challenges facing the sector.

Microfinance operators are shifting their focus towards complements to basic credit, including microinsurance, micropensions, IT services, etc., in no small part due to closer cooperation between microfinance and other development sectors (healthcare, new technologies for new value chains, renewable energy, etc.). This dynamic, sometimes known as "microfinance plus", is positive but has created new needs for knowledge.

Its privileged observer status enables ADA to divulge the lessons learnt and debate such emerging, topical issues, making the sector even more vibrant.

Issue 0: Passerelles, pathways to autonomy

Autonomy is one of ADA's founding principles to such an extent that it even features in its name (Appui au Développement Autonome). It therefore comes as no surprise that the first issue of *Passerelles* is a special issue dedicated to the concept of autonomy in microfinance and its various declinations in the field.

Autonomy is sometimes used as a synonym of freedom and, by extension, independence.[3] Broadly speaking, autonomy represents the ability to choose one's own path free from the influence of certain natural or collective trends and without bowing to external authorities.

Simply providing the necessary resources does not suffice from a human development perspective. The autonomy of individ-

[1] We define inclusive finance as the range of financial products and services available to marginalised, low-income populations locked out of the conventional banking system. We here use the terms "inclusive finance" and "microfinance" interchangeably, as synonyms.

[2] Mia Adams holds a degree in Economic Science from the University of Leuven and a doctorate in Political Economics from the University of Paris. She worked abroad in different sectors and specialised in microfinance. In 1994, together with some colleagues, she founded ADA, which she chaired until 2001. She also launched a forum for evaluating the performance of African MFIs, now known as AMT.

[3] From this point of view, autonomy is defined as the ability to act on one's own free of external influences. Freedom, on the other hand, also implies the availability of the resources needed to achieve one's goals.

* Laura Foschi, Manager R&D, ADA and Joaquim Monteiro, Project officer R&D, ADA

uals and institutions must be safeguarded to make sure their increased well-being can be sustainably maintained and developed.[4] Autonomy refers to strategic [life] choices. Amartya Sen stresses the importance of individuals making reasoned decisions according to their own values and objectives. The full spectrum of capabilities reflects a range of options and the freedom to achieve a combination of functionings. Autonomy is particularly important from Sen's point of view: he sees it as the ability of individuals to help themselves and influence the world.[5] Poor individuals often have trouble being effective on their own and therefore often have to resort to collective action. The latter can nevertheless influence individual abilities positively by broadening their scope. Therefore, if these requirements are met, both collective and individual autonomy are boosted.

Maintaining autonomy hinges on two latent qualities found in all human beings: self-confidence and aspiration (ambition).[6] Self-confidence reflects the way individuals see themselves, thereby influencing their objectives and aspirations or even their perception of risks and opportunities in the outside environment. In other words, individuals with self-confidence trust their ability to make the right choices, act upon their decisions and achieve results.[7] Aspiration (ambition) emerges from social interactions among individuals, giving rise to new abilities which are stronger if individual autonomy is involved.[8]

On an institutional level, an autonomous organisation is one which can develop its initiatives or meet its clients' needs while remaining capable of defining and pursuing its objectives and interacting with other agents in an interdependent way. The subject of institutional autonomy, in particular autonomy in microfinance institutions, has often been limited to an analysis of self-sufficiency (both financial and operational), which is simplistic but can be quantified. Other indicators could also be tested in the field, studied and analysed by researchers.

The role of institutional autonomy in microfinance is the central theme of the first issue of *Passerelles*. A leading article by two experts in the field, Stéphanie Desfontaines and Luc Roullet,[9] sets the theoretical framework and puts forward a conceptual model to delimit and define institutional autonomy in microfinance. The study also looks at how the model can be applied to analyse the autonomy of two successful institutions: RCPB and Banco FIE.

In keeping with the values of sharing and dialogue, which are the cornerstones of *Passerelles*, the founders of these institutions (Alpha Ouedraogo for RCPB and Pilar Ramírez for Banco FIE[10]) provide valuable input and present their approach to autonomy in microfinance.

Finally, because ADA remains convinced that exchanges are always a good opportunity to learn something new and that no one is the source of all knowledge, all debates launched in the paper version of *Passerelles* will continue on ADA's website. In addition to making the journal available online, the aim is to encourage readers to join the debate and, at the same time, increase ADA's awareness of the wide range of existing opinions.

4 Castillo Muñiz R. Mirtha, Autonomy as a Foundation for Human Development: A Conceptual Model to Study Individual Autonomy, 2009.

5 Sen Amartya, Development as freedom, 1999.

6 See footnote 4.

7 Diener and Biswas-Diener, Psychological empowerment and subjective well-being, 2005.

8 See footnote 4.

9 Stéphanie Desfontaines worked for nearly twenty years in the microfinance sector. She was a technical assistant to MFIs in Asia and Africa, trainer and consultant for many short-term missions on both continents and manager of a credit fund in the suburbs of London. She accompanied in particular AMRET in Cambodia on its path to autonomy. In particular, she accompanied the young Cambodian unexperienced managers to develop their talents and form a quality team to establish an efficient MFI, both socially and financially. She began to explore the theme of autonomy while working with AMRET. Passionate about individual development, she acquired know-how in coaching and co-wrote, with Stephane Montier the book "*Les clés de l'autonomie*"(Eyrolles, 2012). Stéphanie explores the theme of autonomy in other areas. She assists students in their journey to empowerment, in particular at the Ecole Centrale Paris.

Lus Roullet is a professor of leadership at the Ecole Centrale Paris, an engineering school, and the ESSEC Business School in France. His approach is based on the development of autonomy and an invigorating leadership. He builds on 20 years of experience in management, consulting and coaching in microfinance institutions in the Philippines, Bosnia Herzegovina and Palestine, to the Presidency of Madagascar, at the World Bank in Washington, as well as Italy and France in the private and voluntary sectors. He graduated from the Harvard Kennedy School, with a specialization in leadership and development of the Ecole Centrale Paris and the Politecnico di Milano with a degree in management.

10 Pilar Ramirez, bolivian profesional, a pioneer in microfinance with 30 years experience in the industry. She has been part of the founding team of FIE, in Bolivia, President of Private Financial Fund FIE, General Manager of LOCFUND, President of the Policy Advisory Group of CGAP, consultant to SIDA and Women's World Banking, professor in Centro AFIN in Bolivia and CERMI, Center for Research on microfinance at Université Libre de Bruxelles, Belgium. Her work experience also includes diverse consulting assignments on funding, formalization processes for MFIs, gender and development, among others. From 2009 to 2014 she was President of CONFIE Holding SL.

Alpha Ouedraogo is the former General Director of the Réseau des Caisses Populaires du Burkina (RCPB) and the Confédération des Institutions financières/ Afrique de l'Ouest.


Le Pays

« By learning from our mistakes, we need to be guarded against complacency »

Alpha Ouedraogo

Cultivating the boldness of autonomy in microfinance

Stéphanie Desfontaines* and Luc Roullet*

Microfinance has shaken up deeply held beliefs to deliver on a double promise: developing human potential and fighting poverty by granting loans to people locked out of the banking system. Loans instead of donations. Loans at affordable rates instead of predatory loans. Loans to develop autonomy in accordance with Muhammad Yunus's vision: "Each person has tremendous potential. She or he alone can influence the lives of others within the communities, nations, within and beyond her or his own time."[1]

The expansion of the microfinance sector has gradually pushed the ever-growing microfinance institutions (MFIs) to seek greater autonomy in relation to donations and subsidies. MFIs potential profitability was shown in the late 1990s. Financial balance indicators were designed to measure what was then known and is still known as the "operational autonomy" and "financial autonomy" of a MFI.[2] The limitations of these indicators when it comes to assessing the impact of the sector led to the development of indicators to measure social performance, in particular since the 2000s.[3] The term "double bottom line" is sometimes used to measure both the financial and the social performance of a MFI,[4] with papers seeking to reconcile both aspects[5].

Independence and autonomy are sometimes conflated in everyday language: autonomy (as a synonym of independence) is "*the ability to manage one's life on one's own*". Autonomous people and organisations can choose their own path without depending on others to act, think, decide, etc.

We, on the other hand, do not see autonomous people or organisations as being entitled to do whatever they want or being self-sufficient. We see them at the heart of the relationships linking them to others and to the environment from which they get the resources they need to achieve their goals.

The word "autonomy" seems to pop up everywhere in microfinance, but it is understood in various different ways and everyone can find in it something relating to his/her jobs and needs: investors may see profitability, founders autonomy with regards to investors, agencies see autonomy with regards to HQ, and it is the client-loan officer relationship which sets the scene for the autonomy to develop a business, an additional revenue stream which, paraphrasing Amartya Sen, yields development and freedom.[6]

This paper focuses on MFI autonomy. We will look at how autonomy can provide a powerful boost to collective performance and human development, reconciling the two traditional goals of microfinance.

The paper first describes the research methods, moves on to define autonomy for MFIs and models to explain autonomy dynamics, and then analyses practices in the sector using two case studies: Banco FIE (Bolivia) and RCPB (Burkina Faso).[7]

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1. *Banker to the Poor,* Muhammad Yunus, 1998.
2. *Microfinance Consensus Guidelines*, CGAP, 2003.
3. *Reporting et gestion de la performance sociale, état des lieux*, MIX, 2011.
4. *Voting the Double Bottom Line: Active Governance by Microfinance Equity Investors*, CGAP Focus note, 2012.
5. *Quels liens entre performances sociales et performances financières ?* Cerise, 2010. *Microfinance, Poverty and Social Performance:* Overview. Simanowitz, A., 2003, IDS Bulletin, 34: 1–9. *Assessing and managing social performance in microfinance,* IFAD, 2009.
6. *Development as freedom*, Amartya Sen, 1999.
7. Two MFIs with which ADA entered a partnership shortly after its creation.

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* Stéphanie Desfontaines worked for nearly twenty years in the microfinance sector. She was a technical assistant to MFIs in Asia and Africa, trainer and consultant for many short-term missions on both continents and manager of a loan fund in the suburbs of London. She accompanied in particular AMRET in Cambodia on its path to autonomy. In particular, she accompanied the young Cambodian unexperienced managers to develop their talents and form a quality team to establish an efficient MFI, both socially and financially. She began to explore the theme of autonomy while working with AMRET. Passionate about individual development, she acquired know-how in coaching and co-wrote, with Stephane Montier the book "*Les clés de l'autonomie*"(Eyrolles, 2012). Stéphanie explores the theme of autonomy in other areas. She assists students in their journey to empowerment, in particular at the Ecole Centrale Paris.

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1 Methodology

This paper draws upon the authors' fifteen years of experience in developing organisational autonomy, particularly in the microfinance sector. The authors have worked as technical assistants for MFIs at the institutionalisation stage, when development projects transformed into autonomous institutions, and guided the development of autonomy in MFIs as part of short-term assignments over many years. At the same time, they have studied theoretical models of autonomy in organisations (developed from transactional analysis and complexity theory[8]). Finally, one of the authors drew upon this work to write a book on autonomy.[9]

The aim of this paper is to look at autonomy in MFIs based on two specific cases. A research-action process was launched:

- Review of the literature on autonomy in microfinance
- Formalising a model of autonomy specific to microfinance and expanding the dimensions of the model
- Devising research methods for case studies and field missions to Bolivia (Banco FIE) and Burkina Faso (RCPB) (objectives, expected results, project development, individual and collective interviewing methods, and guides for semi-guided interviews)
- Processing the data, writing the paper and discussing the findings with stakeholders

Two streams for future research have been identified:

- Increasing the robustness of the model by expanding its dimensions (components and sub-components) to new specific cases which give rise to a longer research project and more systematic and comprehensive gathering of quantitative data
- Launching the same process to *develop* autonomy: going beyond a mere description of autonomy (i.e. the scope of this article) and determining what buttons to push and how to do it in order to guide autonomy processes.[10]

The ultimate goal would be to have two robust models: an explanatory model of autonomy (diagnostic tool) and a development model for autonomy (guidance tool) which helps players in the microfinance sector and organisations in general to effectively increase organisations' autonomy and, therefore, their power.

[8] E.g. the works of Edgar Morin.

[9] *Les clés de l'autonomie*, Desfontaines and Montier, Eyrolles, 2012.

[10] These aspects (leverage for autonomy and guiding processes) were already explored in *Les clés de l'autonomie*, but there is still room for more comprehensive research.

2 Autonomy in MFIs: a definition combining human development aspirations with financial objectives

« We have so many financial ratios that the social dynamics underpinning development are not even considered any more. »

Alpha Ouedraogo

2.1. From self-sufficiency to autonomy: opportunities and limitations of norms in the microfinance sector

The concept of self-sufficiency in microfinance emerged in the late 1990s, when the sector began to offer the possibility of balancing the books or even turning a profit. The term "viability" was also used as a synonym in certain quarters.[11] Indicators were devised to measure self-sufficiency, including the operational self-sufficiency ratio and the financial self-sufficiency ratio.[12] These ratios reveal a MFI's ability to raise enough funds to cover its expenditure. "Autonomy" is often used interchangeably with "self-sufficiency" in everyday microfinance speak. The terms "operational autonomy" and "financial autonomy" are sometimes used in this context.

Self-sufficiency (essentially in quantitative terms) is very useful for a MFI to grow and meet its clients' needs.

However, the limitations of these indicators have been well characterised:

- MFIs which focus on the poorest groups and, therefore, decide to be dependent on subsidies: "MFIs that serve the extreme poor and have no desire or plans to become self-sustainable"[13]
- Situations in which these indicators lead to abuses of "commercial microfinance"[14]

Other approaches to assess the autonomy of MFIs are based on more qualitative elements: "Sustainable institutions are those which have become autonomous in the organisational, technical, financial, institutional and social aspects".[15] Institutional building, a key stage of the autonomy process, must focus in building human capacity above all else.[16]

Finally, while autonomy seems to be an underlying concern in many terms used in microfinance (self-sufficiency, viability, sustainability), the concept of autonomy itself has not been explored in depth. Therefore, simplifications seem to dominate, with autonomy strongly linked with self-sufficiency.

2.2. A broader definition of autonomy which combines human development aspirations and financial objectives

How can we define autonomy? The word "autonomous" derives from the Greek *autos* ("self") and *nomos* ("law") and means "governed by its own laws". Amartya Sen, who studied the links between autonomy and development, sees autonomy as the ability of individuals to help one another and influence the world.[17] Autonomy is therefore both a driver and a goal of development.[18]

In line with Amartya Sen's view and in accordance with our own experience guiding and supporting the development of autonomy among people and organisations, we suggest the following definition of autonomy in MFIs:

The ability to decide and achieve individual and collective goals based on one's own principles.

[11] DID defines viability as "the ability of an institution to meet the needs of its clientele/members without reliance on external assistance".

[12] Self Study Guide for Staff of Micro Finance Institutions, Lesson 4 – Viability of a microfinance organization – 1996, Ledgewood.

[13] *A Case for Sustainable MFI*, Dumarwana SFCL, 2010.

[14] *Over-Indebtedness and Market Forces*, CGAP blog, 2011 and the Compartamos controversy, *Are Microcredit Interest Rates Excessive?* CGAP Brief, 2009.

[15] *Les conditions de la pérennité des institutions de microfinance,* Le Picard, Agridoc, 2001.

[16] *Construire une capacité locale de management - Une dimension essentielle de la transformation d'un projet en institution*, N Gauthier, 1999.

[17] *Development as freedom*, Amartya Sen, 1999.

[18] "Expansion of freedom is viewed as both (1) *the primary end* and (2) *the principal means* of development". Op. cit., p. 36.

Therefore, autonomy does not bring financial objectives and social or human objectives into conflict. Autonomy is the ability to pick one's goals and achieve them. In the same way an autonomous client can act on the world instead of simply being influenced by outside factors, an autonomous MFI chooses its own path and is capable of doing what needs to be done to follow it. An autonomous MFI can achieve its goals in the long-term.

The "ability to pick and achieve individual and collective goals based on one's own principles" includes:

- The "ability to pick and achieve individual and collective goals", which we characterise as "learning autonomy";
- "Based on one's own principles", i.e. without depending on someone (a person or organisation) else's principles, which we characterise as "relational autonomy".

We have identified two autonomy dynamics:

Learning autonomy
The ability to learn by doing

Relational autonomy
The ability to cut ties of dependence deemed useless and forge chosen links of interdependence

These two autonomy dynamics must be taken together, not separately, to get the full picture of MFI autonomy.

2.2.1. Learning autonomy: the ability to learn by doing

The "ability to decide upon and achieve individual and collective goals based on one's own principles" is not a frozen capacity, internalized or not, but a dynamic ability, which arises and grows from learning by doing things.

Based on our own research results and analyses of Banco FIE and RCPB, we have broken down the ability to learn by doing things in four stages which feed a perpetual cycle.

We can then go back to the first step and adjust the objectives and means implemented to achieve them (eventually; the vision, mission, values and culture should also be changed when necessary).

This cycle promotes both individual and collective learning.

The four steps can be outlined as presented here and a few specific examples of each step are given below.

1. Defining objectives and means

Defining a vision, a mission, values, a culture, objectives and the means to achieve them. MFIs define for themselves a global aim (vision, mission, values and culture) and a more specific one (goals), as well as the human, financial and technical means to achieve them consistently.

2. Acting in collective intelligence

Acting to cooperate and create together. MFIs implement their means to attain their goals.

3. Impact assessment

Evaluating the results of the actions and measuring the gap between them and the predefined objectives. Once an action has been carried out, the MFI determines whether it has achieved its goals and analyses the reasons for any shortcoming.

4. Questioning and exploring mental schemes

Questioning existing schemes, making beliefs, habits, values and rules evolve; exploring new mental schemes. Once shortcomings have been detected and analysed, MFIs question the beliefs, habits, values or rules, which have led them to pursue certain goals and look at the possibility of exploring new schemes and breaking their habits.

1. Defining objectives and means: defining a vision, a mission, values, a culture, objectives and the means to achieve them

Characteristics of a MFI having trouble in learning by doing	**Characteristics of a MFI capable of learning by doing things**
The vision/mission and objectives are set by a minority of people (e.g. the administrators, the general manager or the managers) and handed down to the rest of the staff.	Employees participate in defining the vision, the mission and objectives and personally fly the flag for them.
Employees do not have a clear view of the links between their duties and tasks and those of other workers, especially those in other departments or fields. They are not perfectly aware of the various roles of a MFI and how they contribute to the vision/mission and objectives.	Employees understand how each of their duties and tasks is linked to the pursuit of the vision/mission and objectives. They feel personally involved in collective success and responsible for it. They understand how each of the MFI's roles contribute to achieving the vision/mission and objectives.
Employees, especially those at the bottom of the hierarchy, do not contribute much —or not at all— to setting their objectives.	Employees at all hierarchical levels are heavily involved in setting their own objectives.

2. Acting in collective intelligence: acting in collaboration and co-create

Characteristics of a MFI having trouble in learning by doing	**Characteristics of a MFI capable of learning by doing things**
To the extent possible, decisions are made at the hierarchical level closest to management (with or without consulting lower levels) and some are made at lower levels in accordance with the *delegation* principle.	To the extent possible, decisions are made at the hierarchical level closest to the client, others are taken at a higher level according to a principle of subsidiarity.[19]
Decisions are often made by one person, chosen as the “right” person to take a given decision. People in the MFI believe that the right decision is the one made by the leading expert in the field in question.	Decisions are often made by several people who analyse the situation, discuss it, debate it and reach a consensus. People in the MFI believe that having several different opinions on the same situation helps to build the right decision.
Employees work essentially with their direct superior and their direct subordinates. Opportunities to work and learn by working side-by-side with the management, people in other departments and workers at the same hierarchical level are few and far between.	Employees act within a close vertical, horizontal and transversal collaboration scheme: within the hierarchical chain, among people at the same level and among people tasked with different jobs. Formal opportunities are regularly provided to work and learn within a vertical, horizontal and transversal collaboration scheme (e.g. mentoring, transversal task forces, regular team meetings where everyone gets to participate, exchanges of practices, or an annual seminar where all hierarchical levels are involved and actively participate).
Limited flow of information. People are not encouraged to make constructive criticism on work processes. The desired attitude consists of talking up strengths and hiding weaknesses.	Information is shared freely, everyone feels encouraged to make constructive criticism on work processes (not on people), and criticism is welcomed as an opportunity to learn and grow.

3. Impact assessment: evaluating the results of the actions and measuring the gap between them and the predefined objectives

Characteristics of a MFI having trouble in learning by doing	Characteristics of a MFI capable of learning by doing things
Achieving or failing to achieve objectives leads to positive or negative judgments on people (he/she is reliable/competent because he/she has achieved the goal; he/she is not reliable/competent enough because he/she has not achieved the goal).	Results are systematically reviewed and constructive, collaborative processes are put into place to find the reasons why a given objective has not been achieved. Failing to achieve an objective is seen as an opportunity to learn. It does not give rise to blaming, rebukes or criticism, but to a search for an explanation which will help in the future.
Performance assessment is seen and articulated as a process designed to judge people positively or negatively.	Performance assessment is seen and articulated as a process designed to promote individual and collective learning.
Objectives which have not been achieved are nevertheless maintained.	Objectives are tweaked based on the lessons learnt.

4. Questioning and exploring mental schemes: questioning existing schemes, making beliefs, habits, values and rules evolve; exploring new mental schemes

Characteristics of a MFI having trouble in learning by doing	Characteristics of a MFI capable of learning by doing things
Schemes are not explored. Mental schemes are not modified, which limits opportunities to learn.	Gaps between effective results and the objectives set are explored mainly through the prism of underlying beliefs or hypotheses. Emotions and relationship dynamics hindering change are explored.
Past experience, sector rules and good practices from outside are trusted.	Audacity and innovation, the ability to try out new practices, run against the trends in the sector and challenge popular misconceptions.

Beliefs on the links between financial performance and social performance can be identified transversally with this model.

In a MFI, which has trouble learning by doing, financial performance and social performance are sometimes seen or treated as being separate, in conflict or even incompatible in a fragmented system geared towards mid-term or even short-term objectives. A risk exists that financial performance takes precedence over human development. In a MFI, which is capable of learning from doing things, financial performance and social performance is seen as two fundamentally interdependent things in an ever-evolving system geared towards a long-term vision. Financial performance and social performance are pursued and achieved at the same time.

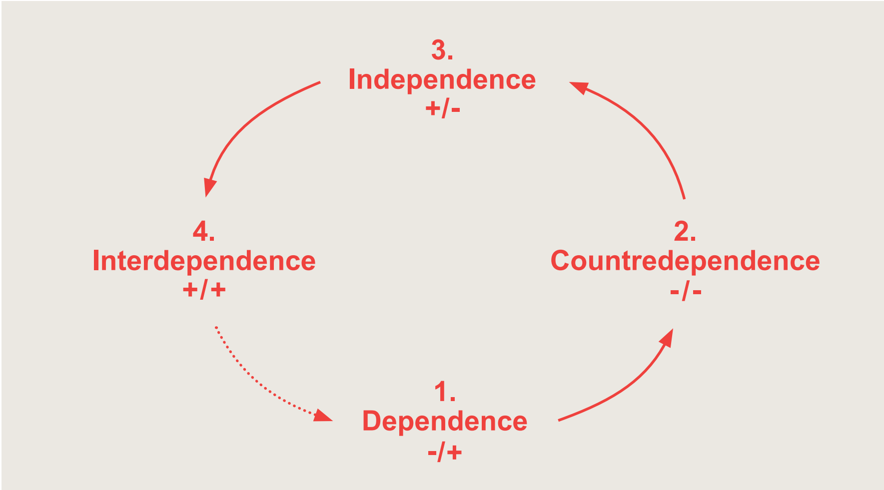
[19] Subsidiarity consists of dealing with problems at the lowest level consistent with their solution. If said level lacks the skills to make a decision, responsibility to do so reverts to the level just above it. Delegation, on the contrary, starts from a power attributed to a high hierarchical level which is partly outsourced to a lower level, which in turn outsources an even smaller part to an even lower level.

2.2.2. Relational autonomy: the ability to cut ties of dependence deemed useless and forge chosen links of interdependence

A MFI's "ability to pick and achieve individual and collective goals based on one's own principles" hinges on the ability not to depend on a person or organisation, which diverts attention from its objectives. Every relationship between a MFI or its members and other organisations and individuals has an impact on this ability. Relational autonomy therefore complements learning autonomy.

Relational autonomy spans all sorts of relationships: that between a MFI and its clients, influential individuals (founder, administrator, officer at a support organisation, consultant) or other organisations (supervisory authority, shareholders, and funders), and relationships among the employees of the MFI.

We use the Transactional Analysis model developed by Nola K. Symor[20] and used by Vincent Lenhardt[21] to understand relational autonomy. The model postulates that all relationships go through four stages of a cycle: dependence, counterdependence, independence and interdependence. Each stage in the cycle is characterised by a certain level of appreciation for oneself and a certain level of appreciation for others. Broadly speaking, this appreciation for oneself and others can be either positive (+) or negative (-).



Source : The cycle of dependency based on the model developed by N. K. Symor

We here use N. K. Symor's model and explain the four stages in layman's terms.[22]

- At the beginning of the relationship, the dependence stage, the person has scant appreciation for oneself and a high appreciation for others. This is a "-/+" situation. This is the case of a child towards its parents. It lives in symbiosis. It is also the case of a person who has just joined an organisation and needs to be guided by his/her workmates and manager.

- Then, at the counterdependence stage, the person has scant appreciation for oneself and scant appreciation for others. This is a "-/-" situation. This is the case of a teenager towards his/her parents. He/she experiences a separation. It is also the case of a person who has been hired, observed shortcomings and problems in his/her new organisation, and criticises (whether openly or not) what is done without being able to offer an alternative.

- Then, at the independence stage, the person has lots of appreciation for oneself and scant appreciation for others. This is a "+/-" situation. A young adult, faced with his/her parents, makes his/her own choices and leaves their home. He/she experiences empowerment. In an organisation, an independent person is one who has become competent and tends to work alone.

- Finally, at the interdependence stage, the person has lots of appreciation for oneself and lots of appreciation for others. This is a "+/+" situation. An adult who is interdependent with his/her parents builds a new type of relationship. He/she experiences an opening. The worker seeks to share what he/she knows and learn from what others contribute. People teach one another, exchanges take place in an open climate of trust and everyone learns from others.

Based on our own work,[23] appreciation for oneself and appreciation for others depend on three interconnected components: identity, sense and competences.[24]

According to this model, a person cannot be autonomous *per se*, since autonomy is defined in the context of a given relationship. A person can be dependent on another and interdependent with a third one. Having autonomous relationships *does not mean* being interdependent in all relationships, which is impossible. Each relation has several aspects to it (I depend on you for this skill, you depend on me for this other one, we are interdependent for this transversal project). Every new relationship takes us through all the stages all over again, while a new situation can take us through all the stages again within an existing relationship. Therefore, a given stage should not be seen as "good" or "bad". Dependence, counterdependence and independence are pivotal stages which can sometimes be experienced in a constructive way, as stages during which a relationship matures. In other cases, when a person has trouble shifting to the next stage, it becomes difficult for him/her to set and achieve objectives.

[20] *Le cycle de la dépendance*, Classique des AAT N° 3, Symor N.K., 1982 – Editions d'Analyse Transactionnelle Lyon.

[21] *Les Responsables porteurs de sens*, Lenhardt, 2002.

[22] Which positions itself in a therapeutic context

[23] *Les clés de l'autonomie*, Desfontaines and Montier, 2012.

[24] The role of these three components and the leverage they can provide to develop autonomy are explained in detail in the book *Les clés de l'autonomie*, pp. 63 to 76. It would take too long to present these ideas here.

+/- Independence

An independent MFI has lots of appreciation for itself and scant appreciation for others (empowerment): a leading MFI sometimes looks down on young, small MFIs, just like a MFI which has managed to overcome a crisis looks down on a consultant which was unable to help during said crisis. The MFI may tend to isolate itself and cease any exchanges.

+/+ Interdependence

An interdependent MFI has lots of appreciation for itself and others (opening): It knows its strengths and weaknesses and does not shy away from sharing questions with others. It then tends to promote sharing ideas and practices, collective learning (e.g. at seminars and training sessions, with testimonials) and constructive criticism for itself and others.

-/- Countredependence

A counterdependent MFI has scant appreciation for itself and others (separation): a young MFI faced with an ill-reputed competitor, or a MFI in the middle of a crisis which is criticised by a partner whose skills it does not recognise. This is often characterised by criticism, whether open or not, but without leading to solutions and empowerment.

-/+ Dependence

A dependent MFI is one with scant appreciation for itself and lots of appreciation for others (symbiosis). This can be a young MFI which still lacks experience compared with the long-time market leader MFI in its country, or a MFI which thinks it does not understand current regulations properly compared with the regulator, deemed an "expert". This can manifest itself in several ways: a lack of critical thought regarding the leading MFI or regulator, a wish to align itself and copy the practices of others, or systematically accepting whatever the admired organisation or person says.

Being autonomous in relationships therefore consists of being able to determine at what stage we are and, if necessary, severing ties of dependence which prevent us from picking our own objectives and achieving them (i.e. "cutting ties of dependence deemed useless"). Being autonomous also consists of being able to forge (when possible) interdependent relationships, which are beneficial to both ourselves and others.

How can this model be applied to analyse autonomy in MFIs? How can we determine at what stage a MFI is?

The main features of a MFI which is autonomous in relationships are:

- **A collective ability (throughout the entire MFI) to be autonomous in its relationships with investors, supervisory authorities, competitors, partners, etc.)**
- **The ability of its employees (at all hierarchical levels) to be autonomous in relationships**

Examples are given below of the four stages for a MFI and, then, for its employees.

In each example,

- The ↑ sign indicates the ability for a MFI to "decide and achieve individual and collective goals based on its own principles";
- The ↓ sign indicates the lack of ability for a MFI to "decide and achieve individual and collective goals based on its own principles".

Explanatory comments are given in italic.

An institution's autonomy is particularly correlated to the autonomy of its constituent individuals. Examples are given below of the various stages for MFI employees.

The process leading from one stage to the next is complex because it consists of changing one's perception of one-self (appreciation for oneself) and perception of others (appreciation for others).

We will now illustrate these models of learning autonomy and relational autonomy with two case studies: Banco FIE (Bolivia) and RCPB (Burkina Faso).

MFI

-/+ 1. Dependent MFI

↑ A MFI implements a consultant's recommendations on updating its IT system.

The MFI is dependent on a skill it decides to outsource instead of acquiring it.

↓ Unable to make a choice, the management of a MFI asks its founder, who retired three years ago, to choose between two candidates for the post of Operations Manager.

The MFI is dependent on a founder who no longer plays a role within it. The MFI must learn to work without him/her and, if necessary, to make decisions, which disagree with his/her point of view.

-/- 2. Counterdependent MFI

↑ A MFI set up by a European NGO expresses its strong disagreement with the new product development plan devised by the NGO, but it is unable to come up with an alternative.

Healthy counterdependence of the MFI on the NGO: the MFI breaks free from dependence. The aim is to gradually leave behind this unproductive stage and move on to independence.

↓ A MFI complains to the supervisory authorities, which it does not respect, about a certain regulation, but does not offer an alternative.

A counterdependence of greater consequence, which will hinder the MFI in pursuing its objectives.

+/- 3. Independent MFI

↑ A MFI delivers its reporting tables for its main funder two days late.

Independence is characterised by empowerment and disconnection. Said disconnection leads to reduced communication. This does not necessarily have an impact on pursuing objectives.

↓ A MFI has spent the last five years ignoring calls for caution from its competitors, putting itself in danger and exposing the entire sector to significant risk.

The MFI attaches no importance to its competitors' advice. It isolates itself and risks failing to achieve its objectives while at the same time creating risks for the sector.

+/+ 4. Interdependent MFI

↑ A MFI in the midst of a default crisis looks for an outside solution: negotiating a short-term loan with a bank to cover cash flow needs, exchanging information with the Central Bank to prevent contagion within the sector, hiring a debt collection manager who used to work for a competing MFI, etc.

An interdependent MFI is aware of both its own capabilities and those of others, which makes it able to look outside for the resources it needs.

■ Because interdependence is always positive, no example is given with the ↓ symbol.

Individuals

-/+ 1. Dependent individuals

↑ A new loan officer asks an experienced loan officer for advice on a certain stage in the loan process.

It is a healthy form of dependence in which the new officer learns from the experienced one, laying the foundations for reducing dependence in the future.

↓ In meetings within a MFI, individuals near the top of the hierarchy speak most of the time. The others listen and only speak when someone asks them a question.

Many organisations have greater collective appreciation for those who lead and/or those who hold degrees. Such attitudes generate and sustain dependence.

-/- 2. Counterdependent individuals

↑ A new training manager hired from the banking sector rebukes the human resources director for lacking rigour in the presentation of the training plan.

Typical counterdependence. This stage is necessary for the training manager to gradually build her ability to become first independent and then interdependent with the HRD.

↓ A former loan officer systematically criticises the management style of his branch manager, with the entire personnel being aware of the open conflict between the two of them.

A form of counterdependence from which the people involved cannot break free, as is usually the case. Their relationship is frozen and harms the work environment.

+/- 3. Independent individuals

↑ A regional director only reports to his operations manager at their annual interview. Apart from this, he thinks “I achieve my goals, so leave me alone”.

(This is typical behaviour for the independence stage, which does not hinder the person or the MFI in the pursuit of their objectives as long as the vision and objectives are cleared and shared, and reporting duties are complied with)

↓ A regional manager sends an employee into a dangerous area to explore the possibility of opening a branch there, without informing his superiors, who “would not understand and would not grant permission”.

The regional manager thinks he can make certain decisions based on his skills, but he no longer follows collective rules and is putting the MFI in jeopardy.

+/+ 4. Interdependent individuals

↑ The communications manager is asked to create new posters for the MFI. He organises a contest and asks participating teams to present their ideas for posters.

The communications manager does not believe he is the only person with the skills needed to create a poster or have one created. He is aware of the importance of fostering cooperation among teams.

■ Because interdependence is always positive, no example is given with the ↓ symbol.

3 Autonomy on a daily basis: the cases of Banco FIE and RCPB

We sought to find concrete illustrations of the model in our interviews at Banco FIE and RCPB.

3.1. Banco FIE and RCPB, two internationally renowned MFIs with very different profiles

Banco FIE[25]

The NGO FIE was set up in 1985 by five Bolivian women who wanted to help the poorest women in Bolivia in the wake of the fall of the military dictatorships. The NGO gradually evolved into Banco FIE, a Bolivian bank which now has 240,000 borrowers (a loan portfolio worth almost USD 1 billion) and 780,000 savers (USD 800 million in deposits). Banco FIE has an operational autonomy ratio of 113.50%. Its main shareholders are the DWM Sicav Fund, Incofin (about 10% each) and Oikocredit (about 7%).

With over 3,000 employees, Banco FIE is a driver of innovation and financial inclusion in Bolivia:

- by operating even in the most remote areas;
- with a wide range of financial services in addition to savings and loans: life insurance, wire transfers, mobile banking, telephone subscriptions, payment of water, gas and electricity bills;
- by successfully operating with an average interest rate of 15.66% for an average credit of 3,000 euros (compared with a national average of 16% for 3,700 euros).

Banco FIE is one of the leading MFIs in South America, with excellent ratings from Moody's and Fitch, which helped it launch bond programmes in local currency worth over USD 115 million.

RCPB[26]

RCPB (Réseau des Caisse Populaires du Burkina) was founded in 1972 as a development project by DID, the international development arm of the Quebecer Desjardins mutual funds. RCPB has grown to become a savings and credit cooperative with almost a million members served by over a thousand employees across Burkinabé territory. 70% of RCPB's branches are located in rural areas. RCPB is the only financial institution in Burkina Faso present in all 45 provinces in the country. With an average loan of 800 euros, RCPB continues to serve the poor and to provide guidance to particularly successful clients via four FCEs (Financial Centres for Entrepreneurs) set up especially for SMEs/SMIs. In addition to a wide range of savings and credit products (for individuals and groups, with specific products for young people and women), microinsurance linked to loans (loan cover), transfer products (Sytraf and Moneygram) and training courses are also offered to its members. It had an operational autonomy of 128% in 2013.

RCPB controls 70 to 80% of the Burkinabé microfinance market, with a portfolio worth 114 million euros in 2013 and 180 million in deposits (200 euros per member).

An analysis of the autonomy of both MFIs according to the two autonomy dynamics follows.

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25 Sources: annual reports, Mixmarket, ASOFIN (Bolivian national MFI association), reports from the Moody's and Fitch credit rating agencies, and interviews with the management.

26 Sources: annual reports, 2014–2016 plan, reports from the Microfinanza Rating and Planet Rating credit rating agencies, interviews with the management.

3.1.1. Learning autonomy

First step of the learning autonomy model: defining objectives and means: defining a vision, a mission, values, a culture, objectives and the means to achieve them.

Our interviews showed that the shared vision was very strong at the time of the creation of FIE and remained so throughout the first few years of its existence. FIE was the brainchild of five visionary women: “five women with a dream, a clear picture and ideas, and who wanted to do something for their country”, as one of the managers puts it. FIE is first and foremost the story of how a vision for Bolivia was made real. Back then, these women lacked the financial resources and support needed to make the vision real, but gradually, “over time and with good results, more and more people became interested and willing to invest in their ideas”, continues the manager.

Almost thirty years after the creation of the MFI, the management continues to share a strong vision. Nevertheless, said vision seems to be less prevalent at lower hierarchical levels. When asked about FIE’s current vision, we get a variety of answers: “being recognised as a leading MFI”, “providing opportunities in our clients’ lives” or “supporting Bolivian families”.

Beyond the vision, and still within stage 1 of this model of learning autonomy, defining objectives and means through planning is desired and seen by managers as a cooperative and participative process: “FIE is a horizontal organisation”, “planning starts with loan officers”, “in September, general management asks regional managers to draft operational plans”. Nevertheless, the managers are also aware that increased growth and regulation have gradually reduced autonomy, a fact which they lament: “HQ has sometimes been an obstacle [for the field personnel]”. Furthermore, loan officers speak of a top-down process: “we can grant loans, but we cannot decide”, “objectives are clearly defined”, or “FIE is a vertical organisation”.

RCPB used to have a shared vision, but it has faded over time. A manager explains: “the vision is not updated, but it is shared with all employees and clients. Signs have been put up everywhere so employees and clients can find out more about it”. A branch manager stresses the limits of a “displayed” vision: “a vision and values are not the kind of things you proclaim, you have to feel it, it usually is something you experience”. The vision and mission are neither co-created with elected members and staff nor updated over time. It is essentially a case of top-down institutional communication which also seeps into the training of new employees: “in 1997, when I was hired, I followed an introductory course to loans during which the vision and mission were shared”.

As for setting objectives and means, RCPB has a strategic plan, or business plan, which emanates from the vision and mission. It is devised for a three-year period and annual objectives are articulated around it. On paper, the objectives are well defined according to a vision, but in reality these objectives appear not to truly reflect a real collective project: according to the interviewees, this process is more or less participative. Certain interviewees say the process is participative. A savings bank chairman says: “technicians lay out the big picture at the start of the year. We can question it, reject it or suggest alternatives”. In contrast to this, others, especially loan officers, speak of a top-down process: “The manager and department head set out the objectives”, “the consultative proceeding is not very effective, we need to call a spade a spade”. “We look at what we accomplished the year before and define the objectives for the following year: a percentage is applied to achieved results”.

FIE and RCPB can bear witness to the difficulty of collectively defining a vision or objectives in an organisation with a thousand employees or more. Often, both in these two MFI and in others, size is invoked as a reason to develop the hierarchy and to reduce the participation of those at the base of the pyramid. However, while size makes it more difficult to get everyone involved in the decision-making process, it is not an insurmountable problem —one just needs to acquire a new set of skills. The ability to build a vision and shared objectives in a large MFI (with over 1,000 employees) is a powerful aid to make the right decisions, overcome crises and innovate in day-to-day operations. The actual reason for not involving employees of all hierarchical levels sufficiently often lies within the beliefs of management or the employees themselves: they tend to trust the better educated and hierarchical superiors more when it comes to articulating a vision and objectives. This belief must be questioned and then eradicated to make place for trust in in-field experience, as close to clients as possible. Questioning beliefs refers to the fourth stage of the learning autonomy model, which we will look at later.

Second stage of the learning autonomy model: Acting in collective intelligence: acting to cooperate and create together

Certain exemplary practices in collaboration, collective intelligence and co-creation have existed and continue to exist at RCPB and Banco FIE.

An RCPB employee remembers when he started off as a trainee at a time where his Union (regional organisation) was under the threat of being put into administration. “We had a department head who, thanks to his ability to foster symbiosis among us, helped us post an extraordinary year and, the following year, the machine was perfectly oiled. We even worked on weekends, everyone was eager. This eagerness, which had been created gave us collective power. Receivable accounts solved, accounts reconciled, as a trainee they trusted me and I took the case to the auditor, I did my best. We were not sure we would be certified, but that year we have been certified subject to reservations”.

The managers of Banco FIE also remember a serious crisis in 2001. Following the entrance of consumer credit organisations into the market, FIE clients got over-indebted and were unable to repay the loans they had taken out from FIE. The managers thank collective creativity for finding a way out of the crisis. “We were confident that our clients would pay back the loans and trusted our loan officers; we tweaked our actions every day, we learned by doing things, case by case. We offered each client a different solution”.

It is worth noting that these two examples of close collaboration and collective intelligence took pace against a backdrop of crises and extraordinary situations. In crises like these, organisations go faster through the four stages of the learning autonomy model (see box).

At RCPB and Banco FIE, collaboration is seen as more difficult outside crises.

Crisis management: the “short-cycle” version of the learning autonomy model

In an ever-changing economic, social and political context, being able to manage crises and unexpected events is essential to MFIs. How is this ability linked to the learning autonomy model? The four stages of the model are experienced faster, over a period of several weeks or months.

- At the first stage, the MFI facing a crisis defines a vision and an objective to overcome the crisis. It must be capable of determining whether it wants to go back to the previous situation or to build something different (and what) which adapts to a new, inescapable context, as well as determining the means to be deployed to achieve the vision/objective.
- At the second stage, the means are implemented and actions are carried out with more or less collective intelligence and collaboration. If the crisis is overcome thanks to a few isolated individuals, only they will learn the lessons of the crisis.
- At the third stage, measuring the results allows the MFI to exit the crisis.
- At the fourth stage, lessons are learnt. A crisis often casts beliefs into doubt and brings about questioning and the exploration of new ways of doing things, which means stage 4 is particularly rich in lessons and opportunities for innovation.

At the end of the day, a crisis can make a MFI rethink all of its long-term objectives or even its mission.

At RCPB, collaboration causes friction particularly between the highest and the lowest hierarchical levels. “Things developed centrally are difficult for the base to make its own: mobilising all players is a big challenge”. A branch manager explains: “people ask us questions, but autonomy has its limits. We are a hierarchical institution”. Initiatives tend to originate towards the top of the hierarchy, even when they want to take everyone’s opinions into account. The general manager of RCPB puts it like this: “I went on a tour of all the regions with the HRD to find out more about our employees’ concerns and, based on this, we decided to offer mobility plans”.

At Banco FIE, regulations are cited as a hurdle to collaboration. Collective learning by trial and error was very widespread during the first years of the organisation to develop products tailored to the clients’ needs and fuel the growth of the organisation, at a time when regulations were not stifling. A regional manager reminisces: “we had no large market studies in the beginning. We decided together where new branches would be opened”. Then, gradually, and especially after FIE became a bank, regulations placed significant limits on this extremely collaborative way of working, which granted the right to be mistaken: “becoming a bank created a feeling of limits [to autonomy] at the regional level”, “too much supervision has [negative] consequences on autonomy”. A former RCPB manager explains: “the problem is that all these laws and financial regulations leave no room for innovation”.

Hierarchy and regulation create potential hurdles to operating in accordance with the collective intelligence principle. Nevertheless, once again these hurdles are not insurmountable. MFIs, which are capable of clearing them are especially successful because they continue to innovate, whereas their competitors become more ossified and lose their ability to adapt. It is possible to set up a management hierarchy and strongly regulated procedures while operating in accordance with the collective intelligence principle. The beliefs of all directors and managers (including proximity managers) must be questioned for this to be possible, as we will see in the illustration of the fourth stage of the model.

Third stage of the learning autonomy model: Impact assessment: evaluating the results of the actions and measuring the gap between them and the predefined objectives

The ability to achieve chosen objectives is based on learning from past actions and results. This requires tackling any errors head-on and making constructive criticism of past actions. As explained by a former RCPB manager: "By learning from our mistakes, we need to be guarded against complacency."

This ability to learn from past experience can be lived in many different ways:

- During employee assessment. Assessment can be an opportunity to ask the following question collectively: "what can we do together to maximise the likelihood of achieving our objectives next year?" The RCPB general manager says: "our assessments are transparent, the evaluated person sits in front of the evaluator. I sometimes ask my managers to anonymously fill in my assessment grid". A loan officer, on the other hand, complains: "there is precious little discussion during the assessments. Efforts made are not always taken into account; instead, they only look at the indicators".

- During client or employee surveys, as done at RCPB: "our members help us to innovate by means of satisfaction surveys. We also have bank and staff surveys".

- By learning from the departures of certain clients. "At RCPB, we want to find out at the end of the year why members have closed their accounts. Some of them close them because they are leaving the region, others because they are not happy with the service and others because they prefer a traditional bank."

The ability to constantly identify and accept one's own shortcomings and build new solutions is rare, but it is an extremely powerful amplifier of learning. It can be easily lost, as a RCPB manager laments: "RCPB's strength as a forum for debate is being lost as the institution grows. We need to work hard so that saying and taking things into account becomes part of the institutional culture".

Once again, beliefs (included in the fourth stage of the model) are a major hurdle for this ability to question oneself: we often consider it degrading to acknowledge one's own shortcomings; we prefer to display our strengths and hide our weaknesses, both individually and collectively.

Fourth stage of the learning autonomy model: Questioning and exploring mental schemes: questioning existing schemes, making beliefs, habits, values and rules evolve; exploring new mental schemes

« True, the law is there, but we can make the law more humane. »

Alpha Ouedraogo

This questioning of beliefs, habits, values and rules is a comprehensive and complex task, which is rarely carried out in organisations, which triggers the same patterns to be repeated and limits the scope for learning, innovation and growth.

At the fourth stage of the learning autonomy model, the challenge lies in identifying existing beliefs and questioning them to open up new possibilities of organising, deciding and doing things.

As we saw earlier, certain widespread beliefs in organisations are a major brake on the development of autonomy:

- Beliefs often lead MFIs to reproduce a certain distribution of power (i.e. decision-making) by concentrating said power in a minority of qualified people who are members of management or the board. Several beliefs may come into play in such cases: the belief that power must be concentrated in a handful of people at the top of the hierarchy, the belief that the most qualified individuals make the best decision and the belief, cited by a Banco FIE manager, that empowering people at the bottom of the hierarchy may be the first step in the road to "anarchy".

- Other beliefs make people trust rules and procedures more than people when it comes to building and maintaining the performance of their organisations. Regulation, emulating "good practices" and procedure manuals are a few examples of things which can stifle autonomy when use of these rules and procedures leaves no room for debate, questioning, innovation and human factors.

What have we learnt from the way Banco FIE and RCPB question their beliefs?

The founders of FIE had to fight against the beliefs of the microfinance sector. Back when FIE was founded, group lending was trusted by financial partners, but the founders of FIE had to fight to raise funds and grant individual loans, which according to them were more suitable for their clients to develop autonomously. This helped them create innovative credit products.

In the case of FIE, the challenge was to question the beliefs of "others", but an even harder task is questioning one's own beliefs, as explained by an RCPB employee: "socio-cultural friction prevents us from changing this overnight".

During our interviews at RCPB, many conversations focused on the impact of African or Burkinabé culture on autonomy, which lies at the heart of the fourth stage of the model. The culture was often cited as a brake on autonomy. "Burkinabé society is held down by its culture: there is so much friction that we cannot break free", "you want to evolve, but you are pushed down", "here in Africa we have a culture of politeness, and I think this is the problem. You have to be able to shake up others", "we have a culture of silence, and that is the crux of the matter".

We have illustrated how the learning autonomy model works based on the cases of Banco FIE and RCPB. We will now proceed to look at relational autonomy, which complements learning autonomy, at Banco FIE and RCPB.

3.1.2. Relational autonomy

At both Banco FIE and RCPB, many facts bear witness to the ability of these institutions to manage chosen interdependence. At the same time, in both cases, there are numerous management practices, which give rise to dependent or counterdependent relations. This can be the intended or unintended consequence of management practices or, as explained earlier, it can be due to relations between individuals and the institution or between different institutions at the dependence or counterdependence stages of the learning cycle.

We will here focus on the signs of interdependence (or, sometimes, independence).

Interdependence in everyday work, or reasoned choice for independence

Banco FIE's managers stress their "appreciation for others" and their belief in the power of interdependence, in which the related individuals help one another.

- Regarding relations with clients, some managers say clients are responsible for their own development, whereas others say Banco FIE is responsible for providing a quality service: "we will not change anyone, people have to change themselves", "FIE does not see its clients' success as a sign of its own success; clients should not thank FIE, but their own work instead";
- A manager shares his conviction of the complementary roles played by HQ staff and in-field personnel: "we need to talk to people in the field to come up with solutions";
- A bank manager expresses his view of the difference between independence and interdependence: "it is complicated to not depend on someone; interdependence is when each side benefits from the other. It is not a dominant/dominated relationship".

In actions, at FIE interdependence manifests itself mainly in the relations between FIE and the various partners in its environment. Banco FIE has had the nous to interact constructively with its environment at key points of its development. First, to assert the choice of a system articulated around individual loans and find a financial partner open to this possibility, then during several serious crises[27] to dialogue and negotiate with banks, authorities and competitors to come up with shared solutions, and finally to push interest rates down across the entire sector in Bolivia, which boasts among the lowest rates in the world of microfinance (16%).

Banco FIE has sometimes chosen independence over interdependence when the former seemed preferable. The general manager explains: "part of our autonomy came from not being part of a regional network. The problem with networks is that they pursue global policies, which are not tailored to the national context. FIE decided to remain outside the network system to better meet the needs of the market and of its clients." FIE thus proved its ability to choose and achieve its own objectives.

RCPB experiences interdependence mainly through its culture and configuration as a cooperative. Members (who are also clients) may not be highly qualified, but "technicians" or employees hold them in high esteem. Interdependence between members and technicians has been firmly rooted in the culture of the institution and the experiences it has lived since its creation. Members are seen as the heart and soul of the institution, with a highly valued knowledge of the field, while technicians provide skills the members lack. They drive the growth of the institution together, as pointed out by a bank chairman: "I have been a member of the network since 1989. Ten years later, I raised a few issues I disagreed with at the general shareholders' meeting. I became the chairman in 2008. I do not hold lots of degrees, but I was shown how the most important thing was not a degree, but commitment and experience in microfinance".

At RCPB, interdependence is sometimes translated as solidarity. Indeed, solidarity shares some of the characteristics of interdependence, such as making decisions collectively. An agent puts it like this: "collective autonomy is solidarity: the members of the network decide their own future. A member cannot make a decision alone".

However, FIE and RCPB have trouble implementing interdependence-friendly practices in management relationships.

[27] See the box on p. x. for more about crisis management.

Difficulty fostering interdependence in management relationships

Hierarchy is a defining characteristic of management relationships, with one person (the manager) being at a higher hierarchical level than the other (the person being managed). It is therefore possible, but very difficult, to promote interdependence in a management relationship. Finally, interdependence represents a relationship of equals in which every party contributes its strengths and limitations and all parties work together in a complementary way, with no "domination" whatsoever.

At Banco FIE and RCPB, certain comments reveal that relationships are not always interdependent and that there is a decision/making gap between managers and the managed, which could even be seen as a form of domination:

Our decision-making powers are limited

Management is too slow and far from the field

The directors choose the strategic approach and the managers set the objectives

We work very hard, we have to work overtime to achieve our objectives. We are under a lot of pressure from the branch manager and clients, and we are not paid for overtime

We are afraid of the hierarchy

Managers are sometimes aware of the need to strengthen interdependence and bring down barriers to interdependence:

We need to further decentralise

I think loan officers always feel autonomous but, of course, checks are far more formalised than earlier

On a scale of autonomy from 1 to 10, the top management and chairman are 10 and loan officers are 3 or 4

Difficulty fostering interdependence in management relationships is very common both in MFIs and in other organisations. It is essentially due to the difficulty to appreciate both oneself and others at the same time and is firmly rooted in education and the unconscious mind. In practice, we have seen that interdependence can be developed thanks to individual and/or collective guidance, including training, analysis of practices, listening to people and expressing feelings unambiguously. This type of guidance, or coaching, is still quite rare in MFIs.

We have illustrated how the relational autonomy model works based on the cases of Banco FIE and RCPB. An exploration of the model focusing on the relations between MFIs and supporting organisations is shown in the box.

Exit strategy or building interdependence? Any clues for MFI supporting organisations?

«I pulled off a tour de force to bring Canadian, Belgian and Luxembourgish expertise together, whereas they wanted to protect their expertise. I told them: 'Leave me in peace, share this thing, it's not rocket science!'»

Alpha Ouedraogo

The relational autonomy model is full of lessons for exploring the relations between supporting organisations (SOs) and MFIs.

Supporting organisations often express their ambition to build an "exit strategy", which is seen as severing the links of dependence between MFIs and supporting organisations.

The relational autonomy model enhances the understanding of dependence dynamics and to move beyond the opposition between dependence and exit.

This is how the relations between supporting organisations and MFIs are often characterised.

- The dependence stage is often seen as dependence of the MFI on the supporting organisation, i.e. on its expertise and/or financial resources. Against a backdrop of ever-increasing competition for support organisations, we sometimes underestimate the dependence of SOs on MFIs, which help them fulfil their mission and achieve their objectives (financial objectives and impact objectives).
- The counterdependence stage is unknown. It generally manifests itself as criticism or opposition of a MFI towards a SO. This can even generate conflict. Sometimes, the relationship has degraded a lot and none of the parties knows how to re-establish a good relationship. The relational autonomy model offers a diagnostic tool. Autonomy development levers (i.e. working on sense, identity and skills) provide a way out of counterdependence.
- The independence phase manifest itself as the MFI moving away from the SO and sharing and communicating less with it. Sometimes, the SO may get irritated or demand greater communication in a way, which is not conducive to the development of the MFI's autonomy.
- The interdependence stage is when every party benefits from its own strengths and the others' strengths under the collective intelligence principle.

We explored relational dynamics with supporting organisations at Banco FIE and RCPB. The interviewees have had constructive relationships conducive to autonomy with their partners multiple times: "at the beginning, we had the support of development partners, who worked to support and develop our capabilities"; "having two or three partnerships allows you to look elsewhere and release our latent energy"; "I think the relationship with the partner is very beneficial because it is sincere and we learn from one another"; "skills can only be transferred if there is equality and expertise is valued. Knowledge of the national context is just as much expertise as technical expertise. We had this debate with our partner and I appreciated their willingness to question their own approach". RCPB goes as far as to say "we were the first African project to assess technical advisors", a strong sign of the partner being open to interdependence.

However, the limits of supporting organisations when it comes to fostering autonomy are also clear: "starting in 1991, support for development decreased and resources became financial in nature (FIE)"; "these players talked about autonomy, but it was only a wish, no actual results"; "our partner's refusal to learn left me exhausted".

A series of warnings complete this mixed picture: "if a partner decides it must contribute 25%, it is no longer a partner: why not sit together and decide what amount and type of contribution we want to make?"; "I need investors to respect us the same way we respect our clients".

The relational autonomy model opens up several avenues for exploration both for supporting organisations and MFIs in their quest to create richer, better and fairer relationships for both parties.

4 Conclusion: the challenges facing MFI leaders and managers

«It is only natural for an organisation to stray from its objectives, so let us use this as a starting point for innovation!»

Alpha Ouedraogo

In this paper we presented and explored two autonomy dynamics: learning autonomy and relational autonomy.

- Learning autonomy is the "ability to pick and achieve individual and collective goals based on one's own principles". It consists of a perpetual cycle: determining objectives and the means to achieve them, working under the collective intelligence principle, assessing the impact and questioning beliefs and habits —to set new objectives.

- Relational autonomy is the ability to cut ties of dependence deemed useless and forge chosen links of interdependence. It postulates that all relationships go through a four-stage cycle: dependence, counterdependence, independence and interdependence. Individuals and organisations can determine at what stage they are in all their relationships and strive to reduce dependence and increase interdependence to strike a fair balance.

We then illustrated these two dynamics in two case studies: Banco FIE (Bolivia) and RCPB (Burkina Faso). We identified signs of autonomy and lack of autonomy in both cases, showing that autonomy is not a stable state, but a constant flow of construction and deconstruction, which depends on time (from creation to growth and the crises in between), constraints (e.g. regulations), culture, people, etc.

This is the first paper on autonomy in microfinance which looks beyond models restricted to individual autonomy and models of autonomy which are applied to management relations within all sorts of organisations (cf. situational management).

Our conclusion is that autonomy is difficult to implement. Nevertheless, rising to this challenge, this adventure, pays dividends beyond expectations and strengthens both individuals and organisations.

This article provides readers with the first autonomy diagnostic tool. However, it only describes the models without looking at *how to* develop autonomy. The next step will be an in-depth examination of the leverage and dynamics associated with autonomy, based on three factors: sense, identity and skills.

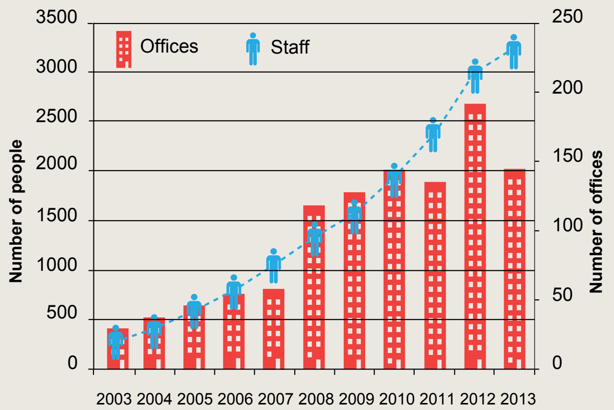
Apart from making existing models more comprehensive, another crucial limitation is the development of autonomy, which depends on each and every one of us. We are held for ransom by beliefs and habits, which stifle autonomy at its most basic level. Therefore, rising to the challenge of autonomy is an invitation to attempt a paradigm shift, to explore the unknown and learn how to advance in a complex environment.

Being able to question beliefs and habits is part and parcel of microfinance's history and identity. Implementing more autonomy-friendly practices will allow microfinance to continue changing the world through the example of visionary organisations, which tackle both the financial and human challenges facing the world.

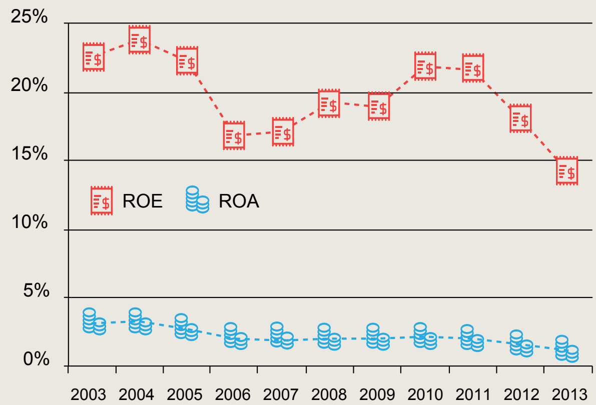
BANCO FIE

www.mixmarket.org (1 October 2014)

Offices and staff



Return on assets (ROA)
Return on equity (ROE)



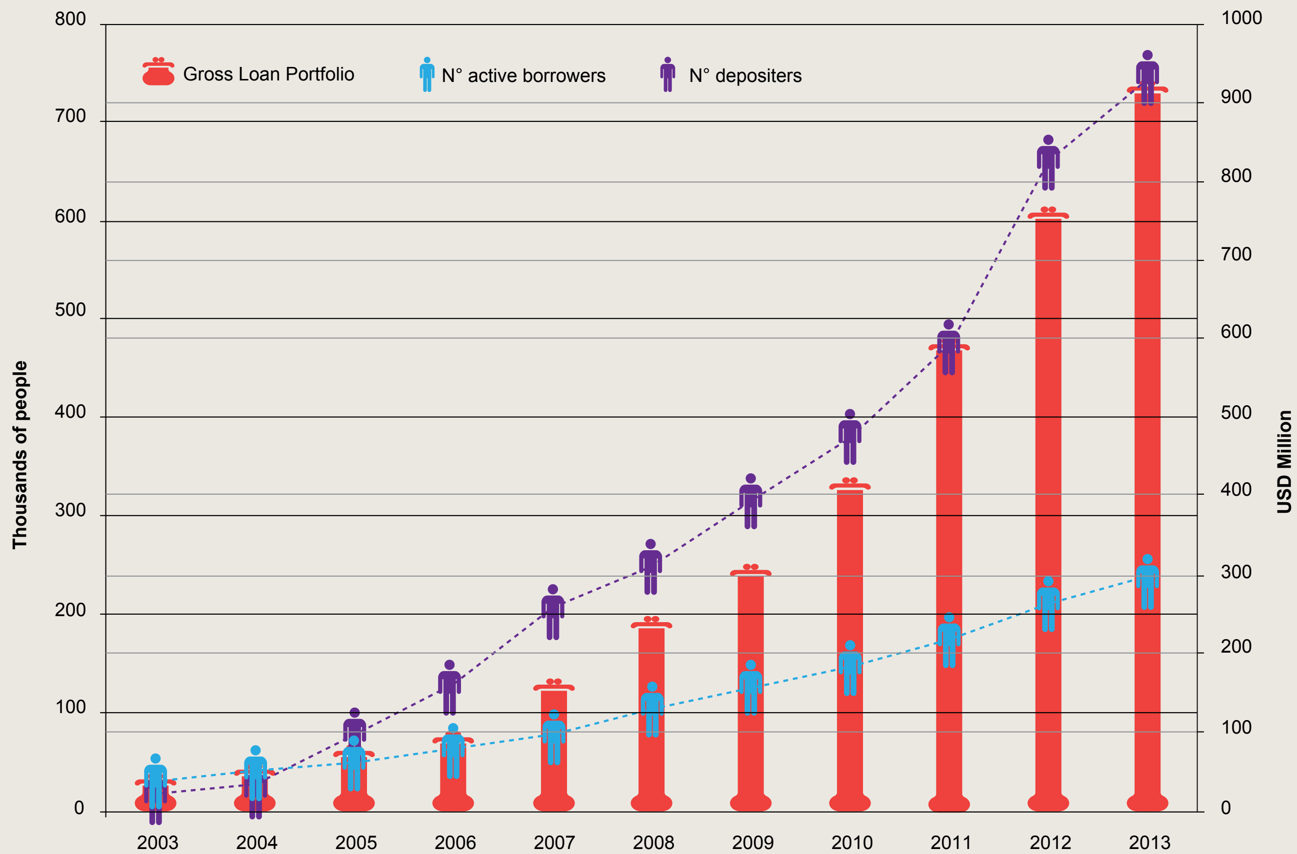
1985
NGO

1998
FFP (Fondo Financiero Privado)
Private limited company

2001
FIE Gran Poder SA
Internationalization in Argentina

2010
Bank
Private limited company

Outreach



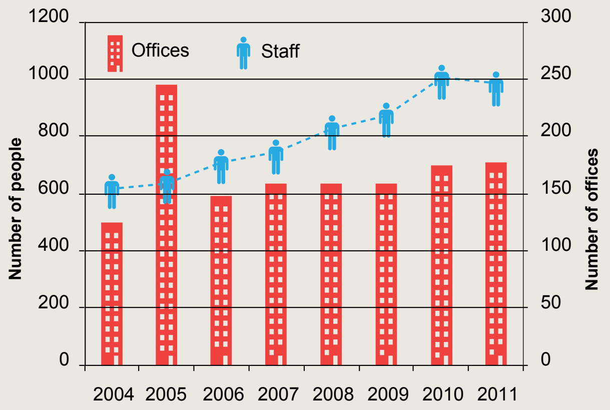
N° active borrowers: n° of borrowers with loans outstanding
N° depositers: n° of depositors with any type of deposit account
Offices: number, including head office and other points of services

ROE: Net operating income-Taxes/Average total equity
ROA: Net operating income-Taxes/Average total assets

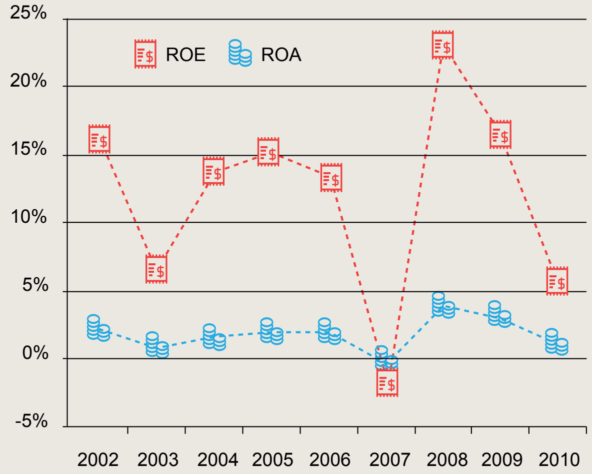
RCPB

www.mixmarket.org (1 October 2014)

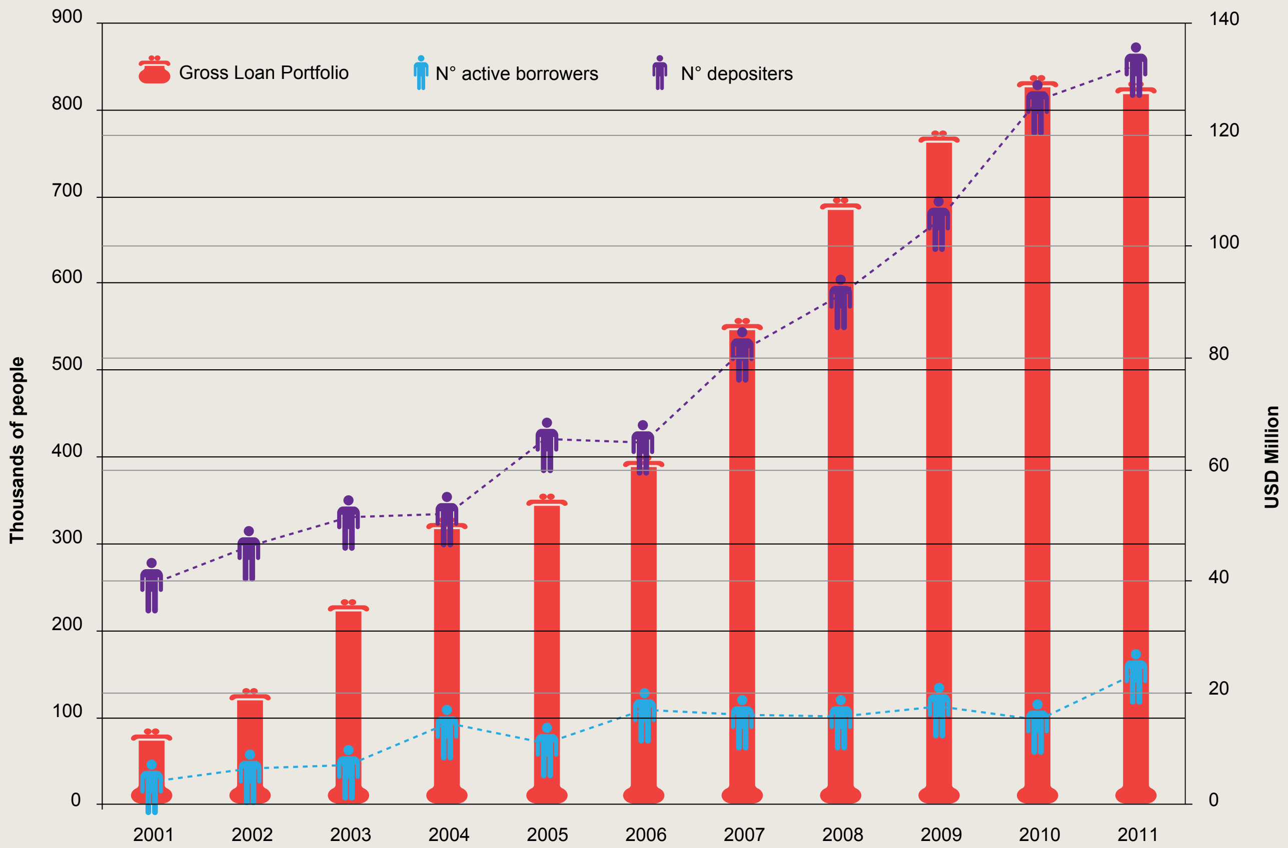
Offices and staff



Return on assets (ROA)
Return on equity (ROE)



Outreach



N° active borrowers: n° of borrowers with loans outstanding
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Autonomy punctuated by strategic decisions

Pilar Ramirez*

"Center for the Support of Economic Initiatives" (FIE) was founded in La Paz, Bolivia in 1985 as a non-profit civil association with the aim of providing loans for persons who afforded themselves some income from commercial, productive and/or repair activities, but who due to their ethnic, low-income status or the fact that they were women, were not able to seek them in the formal financial system. When FIE was started the term "autonomy" was implicit among its founders. It meant (and continues to mean): acting with respect and trust to achieve the shared aim that our actions would support the efforts our clientele put in improving the conditions of their lives. And, in the same manner as we acted towards those who sought and obtained "our services", we expected (and continue to insist that those persons and institutions supporting us, to do so as well, with respect and trust and without hidden motives that would risk the autonomy of our actions. That was the sole motive with which we approached ADA and accepted to work with ADA's support.

It is our wish that the results of ADA's research produce a document of high level conceptual content, useful for a serious debate in academic events.

Assuming that ADA's initiative behind this evaluation does not only address the ideological/conceptual sphere, and acknowledging the tendency towards excessive specialization in institutions of higher learning, we feel it is worthwhile to share different moments in FIE's institutional life, when decisions taken resulted from independence of thought, a vocation of service to our community, the search for equality and inclusion, all marked by a shared vision to contribute to the elimination of poverty in our country.

FIE's program of microcredit and entrepreneurial training

The 1980's was a period immediately after two decades of authoritarian governments in Bolivia. Those governments ruled to benefit reduced sectors of the population, mainly living in cities, with a heavy focus on an unequal distribution of the wealth in the country. The economic measures adopted in August 1985 by the new "modernizing" government, in order to halt the hyperinflation of the previous months[1], accentuated further the situation of poverty of the majority of the population. Closing non profitable public sector enterprises and transferring the healthy ones to the private sector, resulted in a severe reduction of salaried employment. The situation was aggravated by the fall in export prices of minerals, which was met with shut-downs of state-owned mining companies, adding to a rise of unemployed work force. This was the context when, in November of 1985, FIE started its activities of "providing access to loans and training to the self-employed men and women" who, through their income-generating activities, supplied the basics for their livelihood, and that of their families.

After close to 30 years since then, one needs to agree that the step taken by the five women founders of FIE, is one that fits in the criteria of a free and "autonomous" decision to take on the challenge for which there were very few experiences in the country and in the region. More so, when taking into account that this project was undertaken with the clear intention of making it possible for the clients, which were being serviced, to solve some of their problems of poverty and marginality.

[1] The Consumer Price Index was of an annual rate of 25,000% , in July 1985.

[2] Today ASFI (Financial Sector Authority) expects financial institutions to combine the opening of offices in highly commercial rural areas with areas still having low banking activity.

* Pilar Ramirez, bolivian profesional, a pioneer in Microfinance with 30 years experience in the industry. She has been part of the founding team of FIE, in Bolivia, President of Private Financial Fund FIE, General Manager of LOCFUND, President of the Policy Advisory Group of CGAP, consultant to SIDA and Women's World Banking, professor in Centro AFIN in Bolivia and CERMI, Center for Research on Microfinance at Université Libre de Bruxelles in Belgium. Her work experience also includes diverse consulting assignments on funding, formalization processes for MFIs, gender and development, among others. From 2009 to 2014 she was President of CONFIE Holding SL.

The growth of FIE's services

The 90's registered important changes in the North-South development cooperation programs that, until that moment, had contributed importantly to strengthening poverty alleviation projects in many countries of the region. After the fall of the Berlin Wall, European nations oriented their development funds to countries in Eastern Europe, restricting funds for the rest of the world. In these circumstances, most of the "independent" programs - those that were not part of international networks such as Accion International or IPC (Procredit) - opted for creating rotatory lending funds, with the subsequent limitations in growth. Others closed down.

Faced with this situation, FIE saw that its microcredit technology was fully competitive with programs that were part of international microfinance networks and, therefore, it had to make the effort to remain active, in an economic context following what was dictated by the "Washington Consensus". This contexte meant to assure stability for transnational funds and companies which, in theory, would make important investments in the country to generate sources of employment and, therefore, help solve the situation of poverty in the country. The reality was very different from what was expected and the results pointed to an increased polarization in the distribution of wealth. FIE's decision to continue its work was based on the conviction that microcredit effectively supported the creation and growth of employment possibilities and therefore supported the efforts to "fight poverty". The decision to find ways to continue its work, even in such a difficult context, again shows the strength of autonomous decisions.

Search for Competence and Competitive Advantages

Once the "over-indebtedness crisis" that affected many of the MFIs in Bolivia (2001 and 2002) had been overcome, some of the bigger programs proposed a joint course of action to stop predatory practices of some MFIs, such as luring "front office" personnel towards their operations along with their clients, etc. They also proposed establishing rules and principles geared towards establishing enforcement criteria to assure the profitability of their operations and a harmonious growth for all. FIE opposed the proposal, sure that it would be able to follow its own known paradigms of efficiency and efficacy. Strengthening the micro and small enterprise sectors instead of transferring the inefficiencies of "parcelling out" the market to the clients as was being proposed by our competitors.

The results of this institutional position, that preserved the microfinance sector operating in fully competitive conditions, strengthened the consolidation of this activity in the country, showing that in Bolivia it was not necessary for the government to intervene in order to assure that the lending conditions be convenient for the clients, compared to what has happened in other countries. FIE's opposition to the possibility of what could have become a "micro-finance cartel" was an exercise in the "autonomy" for effective growth of the country's micro and small enterprises.

Financial services close to the clients

No more than 10 years ago, the conventional financial institutions assumed that the clients should accommodate themselves to the criteria of the financial services. Up to that time, best practices in the traditional financial sector dictated that successful financial operations should be centralized in offices equipped to service the multiple needs of their clientele. The opening of new branches essentially served the purpose of clearing overcrowded main agencies.

As FIE's clientele grew it was necessary to open new "agencies" and be present in all the major cities of the country. Special care was taken in selecting offices, most of them rented spaces, being extremely careful with the issue of costs for the institution. Within this framework, FIE also thought on how to improve our financial services offer. Taking into account this multiple criteria, FIE decided strategically to facilitate its clientele access to its services, thus, open offices close to clients' activities. In this manner, clients would "save" on transportation costs and time, which could balance out the matter of interest rates. The decision taken implied a challenge to the traditional manner financial institutions had usually acted. That "autonomous" decision had unthought-of impacts in the multiplication of clients[2] in our many offices.

From microcredit banking to a multiple bank

After the approval of the new "Law of Financial Services", it was assumed that the microfinance institutions would adopt the legal form of "Small and Medium Banks", which has been the choice for many of the entities in the MFI-sector. Contrary to what was expected or assumed by the financial sector authorities for Banco FIE, its Board decided to adequate its legal status to a "multiple bank". The reasoning behind this decision is that, after more than 25 years with specialized operators, the Bolivian financial system was now stable and sufficient financial services for micro and small enterprises were being supplied. It is also true that the conventional bank sector has begun to open its doors to any entrepreneur, man or woman, who needs their services. Today's challenges are no longer those of allowing access to financial services, but to broaden the scope of these services, and improve the criteria used in administering risk in bank operations. In this sense, Banco FIE stands on its decision for a multiple bank in view of the need to reach a volume of operations for small and medium size enterprises that will allow its continued presence in the microcredit sector, and in those communities still not serviced by the MFI institutions. This choice is the result of an "autonomous" decision taken by the Board of Directors of the Bank and definitely contributing to FIE's mission of inclusion: facilitating access to financial services to the otherwise excluded populations.

Autonomy for cooperative financial systems

Alpha Ouedraogo*

For almost 40 years, West Africa has witnessed the development of financial services outside the mainstream banking system, commonly known as microfinance. Microfinance aims to unlock access to financial services for the "underprivileged" masses on a long-term basis. The distinctive characteristics of the microfinance sector are a wide range of experiences and the presence of many players with more or less formalised structures, including savings and credit cooperatives, NGOs, limited liability companies, village savings banks, etc. This makes microfinance a test bed for social and financial innovation, as well as a source of challenges. The experiences of savings and credit cooperatives and credit unions throughout the UMEOA[1] area have led to the creation of cooperative networks.

I believe autonomy plays a crucial role in this context because it should lie at the heart of the institutional construction process. Unfortunately, a quick glance at the history of the big African savings and credit networks reveals the inadequacy of institutional autonomy or the scarce importance attached to it, reflecting issues with management and power distribution within any institutional set-up.

The creation of savings and credit cooperatives (SCCs) was an urgent response to the poverty of the populations and their exclusion from banking services. Most SCCs in West Africa, which sprouted from development projects and grew around authoritative opinion leaders, take self-administration and self-reliance for granted.

Over the years, urgency has taken precedence over structuration and institutionalisation, with precious little effort and debate devoted to anchoring autonomy firmly in the future of microfinance institutions.

As cooperative financial systems grew and became more complex over the last few years, some of the core principles and basic concepts at the foundation of savings and credit cooperatives were forgotten.

Are cooperative financial systems on the margins of social relations?

A savings and credit cooperative has a dual backbone, with both autonomy and solidarity in its DNA. It is a group of people who freely and autonomously decide to come together to create an economic tool (a company), which focuses on collecting savings and extending credit to its members.

Their hybrid nature places savings and credit cooperatives in the grey area between associations and companies, a dual nature, which grants power to the association according to the "one person, one vote" principle. This democratic power emanates from the sovereign general assembly.

The company, which is administered by employees and technicians, focuses on collecting and managing savings. At its core, saving is an act of emotion, choice and virtue: "entrusting your money to someone else". It is an accreditation process based on trust and integrity. For the individual, saving is an act of autonomy, but it becomes an act of solidarity from the moment it reaches other people.

Their ability to bring people together, collect savings, extend credit and pool human and financial resources makes savings and credit cooperatives a hub for autonomy and solidarity.

Apart from being an economic tool in the hands of its members, a savings and credit cooperative is a place, where social relations are nurtured and fostered on a small scale. As a result, it feels the contradictions of its society and environment. Therefore, mechanisms to set up local capabilities, limits and reappropriation of power must be designed from the start and throughout the entire construction process, since a savings and credit cooperative operates in a constant turmoil between "association life" and "company life". The challenge lies in finding the sweet spot between the social project and the corporate project, between autonomy and solidarity, between the decision-making structure and the executive structure.

1 French acronym for West African Economic and Monetary Union.

* Alpha Ouedraogo, Former Managing Director, Réseau des Caisses populaires du Burkina (RCPB) and West African Confederation of Financial Institutions.

Always providing institutional but concerted responses to dilemmas

Mastering autonomy and solidarity helps institutions to network and establish what are commonly known as cooperative financial networks. Cooperatives' hybrid nature, halfway between association and company, induces into big financial systems the need to strike a balance between the social project and the economic project of the savings and credit cooperative. The social project casts the spotlight on governance, democracy, autonomy and solidarity, whereas the economic project focuses on effective management in terms of capitalisation. Therefore, there is a conflict between business practices and cooperative values. The technician and executives are the embodiment of management, whereas the board and members represent autonomy and solidarity.

The challenge here is finding the right balance between effective management practices, on the one hand, and autonomy and management, on the other hand. Effective management concentrates power in the hands of technicians, a process promoted by increasing complexity. Meanwhile, autonomy and solidarity principles clash with milieu dynamics. The prevalent view in our societies is that responsibility goes hand-in-hand with privileges: being served first and getting access to specific services under specific terms.

The principles of equality and fairness run contrary to this culture of privilege. Ties of proximity prevent members or elected managers from becoming individually responsible for problematic cases involving other members of their communities. In extreme cases, a culture of silence or tolerance arises, opening a gap between standard operations and cooperative practices. Therefore, when developing institutional autonomy, the institution must put in place the ability to decrypt the message to set up an institutional responsibility, which does not directly engage individual responsibility in decision-making.

Challenges and distribution of powers at the heart of institutional autonomy

Most savings and credit cooperative networks sprouted from support projects. The transformation of a project into an institution is often rooted in a series of basic premises which cripple institutional autonomy. The ideas expressed consolidate the position of the financial contributor at the start of the project as the sole centre of expertise, with the implicit understanding that the local part has none. Expertise transfer mechanisms flow from the financial partner of the project to local resources while ignoring the importance of local know-how as one of the pillars of the local institution "to be". A culture of submission and resignation emerges where harnessing outside expertise takes precedence over local responsibility, which is limited to secondary tasks without a global view.

The evolution of a project into an institution raises issues of human resources used to support institutional construction and issues of sharing responsibility in a way, which allows for a gradual but effective assumption of responsibility from the beginning. Institutionalisation takes time and sets a challenge for capacity building, which must take place alongside the project from the start. It raises the issue of convergent views and objectives for the project, but first and foremost the issue of how to properly evaluate the contributions of the various parties to an institutionalisation process which, if it is to survive, requires both autonomous financial health and the appropriation of issues and processes by the local part.

Autonomy and its limits

Autonomy must be earned on a daily basis. It is not a rigid element. For an institution, autonomy hinges on:

- Organisational capacity: it requires the institution to clearly define its mission and operating mechanisms, which reflect its level of maturity;
- Management capacity by the institution to devise and implement its decision-making processes to rise to challenges;
- The institution's ability to perform when it comes to translating its mission into objectives and results, which can be used to measure its effectiveness, efficiency and impact.
- Absorption capacity, which extends beyond mere profitability and spans all the mechanisms which allow the institution to cover its expenses, its ability to set up risk prevention mechanisms and its ability to technically assimilate expertise and instrumentation on the organisational front.

Autonomy is both an internal and an external issue. Internally, it represents the ability to face challenges and to maintain and expand the institution.

Externally, it represents its ability to negotiate, question and analyse the environment to obtain the information it needs to develop.

Therefore, the pillars of autonomy are internal dynamics and external relations. This is where it connects with solidarity. It can be technical, offer support advice, etc.

Network dynamics must cast the spotlight on autonomy and solidarity, with the latter taking precedence over everything else in crises.

Reappropriation of power: the RCPB case

The autonomy of local units often has its limits: “when a savings bank is unable to cover its own needs, it jeopardises the entire system. Solidarity must come fully into play and make up for the shortcomings of autonomy. It is a question of survival. Reappropriating power is an act of self-discipline, protection, sharing and regulation. It involves the other levels of the network.”

Reappropriating power “aims to provide a self-disciplinary mechanism, which enables the upper levels (union, federation) to intervene as quickly as possible in the event of risky situations, embezzlement, conflict of interest or administrative incapacity…”

Two sorts of problems are usually encountered with this practice:

- Applying it democratically: “the monopolisation of power by the elite and the weight of social responsibility and solidarity can result in the inability to react.”

- Management ethics: “our open-door policy is making social groups in our institutions increasingly heterogeneous. Trust and solidarity, once the linchpins of the systems, clash ever more often with embezzlement and conflicts of interest, while the decision-making bodies are restricted in their scope of action.”

The key to the process lies with inspections and financial oversight. When information on the deficiencies observed is available, “the power machine turns on”. As soon as the level concerned is unable to ensure its own autonomy and cope with its problems, power is shifted to and reappropriated by the level above it.

Power reappropriation is part of a preventive strategy, it is the result of debate on the problems encountered and has been formalised in the bylaws. The bylaws must “determine the situations in which the level immediately above may authorise or veto certain actions”. Reappropriation of power is a key element of network solidarity. It raises issues regarding balancing and sharing power, clearly defining the network’s mission and the roles and responsibilities of its various constituent elements. Nevertheless, the way power is shared is not set in stone. It must be regularly “questioned in order to create complementarity and avoid redundancies… Network dynamics are actually power dynamics”.

All in all, institutional dynamics are power dynamics to build autonomy. It requires clarifying missions, roles and responsibilities to help build capabilities to support institutional operations. It involves balancing powers and striking a balance between autonomy and solidarity.

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