



Keeping clients first
in microfinance

Client Protection Principles: An Introduction to the Smart Campaign

This presentation is made possible by the
Smart Campaign

www.smartcampaign.org



1. Introduction to the Smart Campaign
2. The client protection principles
3. Why the Smart Campaign matters *now*
4. Feedback from participants
5. First steps for implementing client protection
6. Conclusion and call to action

The Smart Campaign...

- ...represents a global, industry-wide effort:
2,250+ endorsers from over 130 countries
- ...has an international steering committee
- ...collaborates with the Social Performance Task Force (SPTF), MIX Market Social Reporting, MF Rating Agencies, MF *Transparency*, and many others
- ...is housed at the Center for Financial Inclusion at ACCION International

Vision of the Smart Campaign

The Smart Campaign envisions a fundamental transformation of the microfinance industry in four key ways:

Focus on clients

- All industry stakeholders will put the interests of clients first

Transparent and prudent services

- MFIs will provide transparent, respectful, prudent financial services

Full integration of client protection

- Client protection principles will be fully integrated into all microfinance operations

Gain pro-consumer reputation

- The microfinance industry will be distinguished as leader in responsible finance

Timeline of the development of the principles

- Pocantico Declaration from microfinance leaders emphasizes client protection failures.

- The industry starts a client protection campaign.

- The Smart Campaign defines 6 Client Protection Principles.

2008

2009

Center for Financial Inclusion's Beyond Codes project and dialogue groups produce learning on client protection.

2010

Smart Campaign officially launched.

2011

- Client Protection Principles updated.

- Tools and certification developed.

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Client Protection Principles

1. Appropriate product design and delivery
2. Prevention of over-indebtedness
3. Transparency
4. Responsible pricing
5. Fair and respectful treatment of clients
6. Privacy of client data
7. Mechanisms for complaint resolution

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Now is a critical time to focus on client protection, for several reasons:

- Demands for accountability and transparency
- Microfinance crises in several countries
- Negative media attention regarding impact
- Public and governmental concern over high interest rates
- Rapid growth, rising competition, and new players

Collaboration

Network Name	Country/Region
RADIM	Argentina
AMFA	Azerbaijan
Consortium Alafia	Benin
FINRURAL	Bolivia
APIM	Burkina Faso
REDCAMIF	Central America
AFMIN	Africa
CAM	China
Emprender	Colombia
MFC	Eastern Europe
RFR	Ecuador
AEMFI	Ethiopia
GHAMFIN	Ghana
Sa Dahn	India

Collaboration

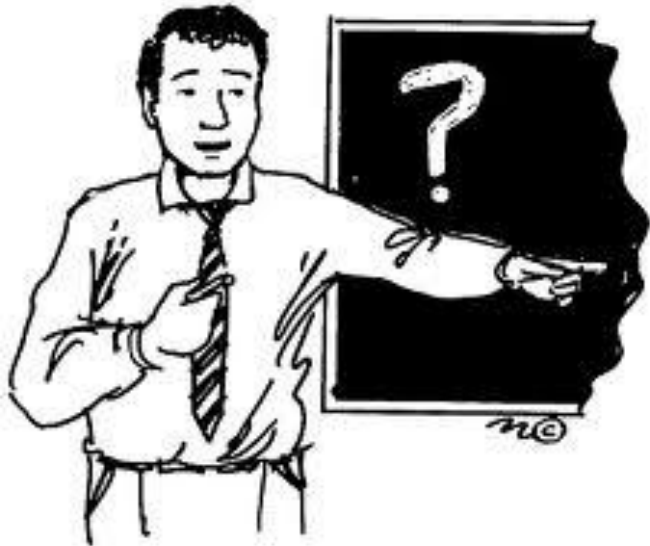
Network Name	Country/Region
APSFD-CI	Ivory Coast
AMFI	Kenya
MAMN	Malawi
APIM	Mali
Sanabel	MENA
AMSOFIPO	Mexico
ProDesarrollo	Mexico
CMF	Nepal
Pakistan Microfinance Network	Pakistan
Red de microfinanzas del Paraguay	Paraguay
COPEME	Peru
MCPI	Philippines
Russian Microfinance Network	Russia
AMIR	Rwanda
AMFIU	Uganda
YMN	Yemen

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Feedback from Participants

What challenges have you faced?

- Prevention of over-indebtedness
- Transparency
- Client complaints
- Confidentiality ...



How does the competitiveness of your local market affect your strategies and decisions?

What do clients appreciate most about your institution? What would they change if they could?

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Smart Campaign Encourages MFIs to “REACT”

Reach out – endorse the Campaign

Engage – learn, train, and self-assess

Assess – commission an external evaluation

Change – pilot projects, share experience,
utilize available technical tools

Track – report and receive certification

Endorsing is very easy!

Go to our website (smartcampaign.org)

to find:

- A diverse set of ways that you can support the Campaign
- Options to receive more information, tools, and other instruments to implement the Client Protection Principles.

about
the campaign ▾

tools
& resources ▾

take
action ▾

news
& highlights ▾

donate
today ▾

Join Us!

Add your voice and endorse the Campaign for Client Protection and support the Client Protection Principles.

First Name *

Last Name *

Email Address *

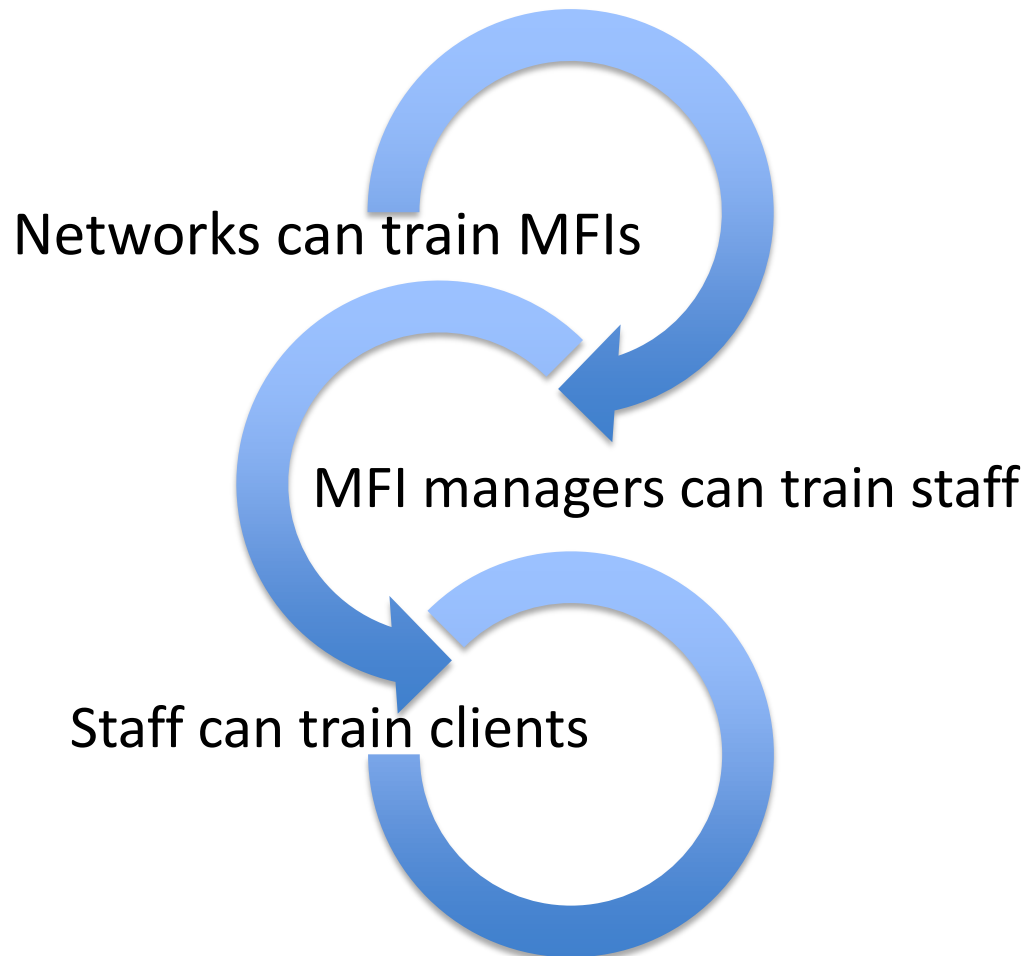
Do not send me email communications

Endorse Now ▶

[Learn more about endorsement »](#)

Educate: training presentations

Training presentations are available on each of the seven client protection principles. These are found on the Smart Campaign website.



Educate: institutional self-assessment

Getting Started Questionnaire: Client Protection Self Assessment for Microfinance Institutions

Principle



Indicators



Explanation of indicators



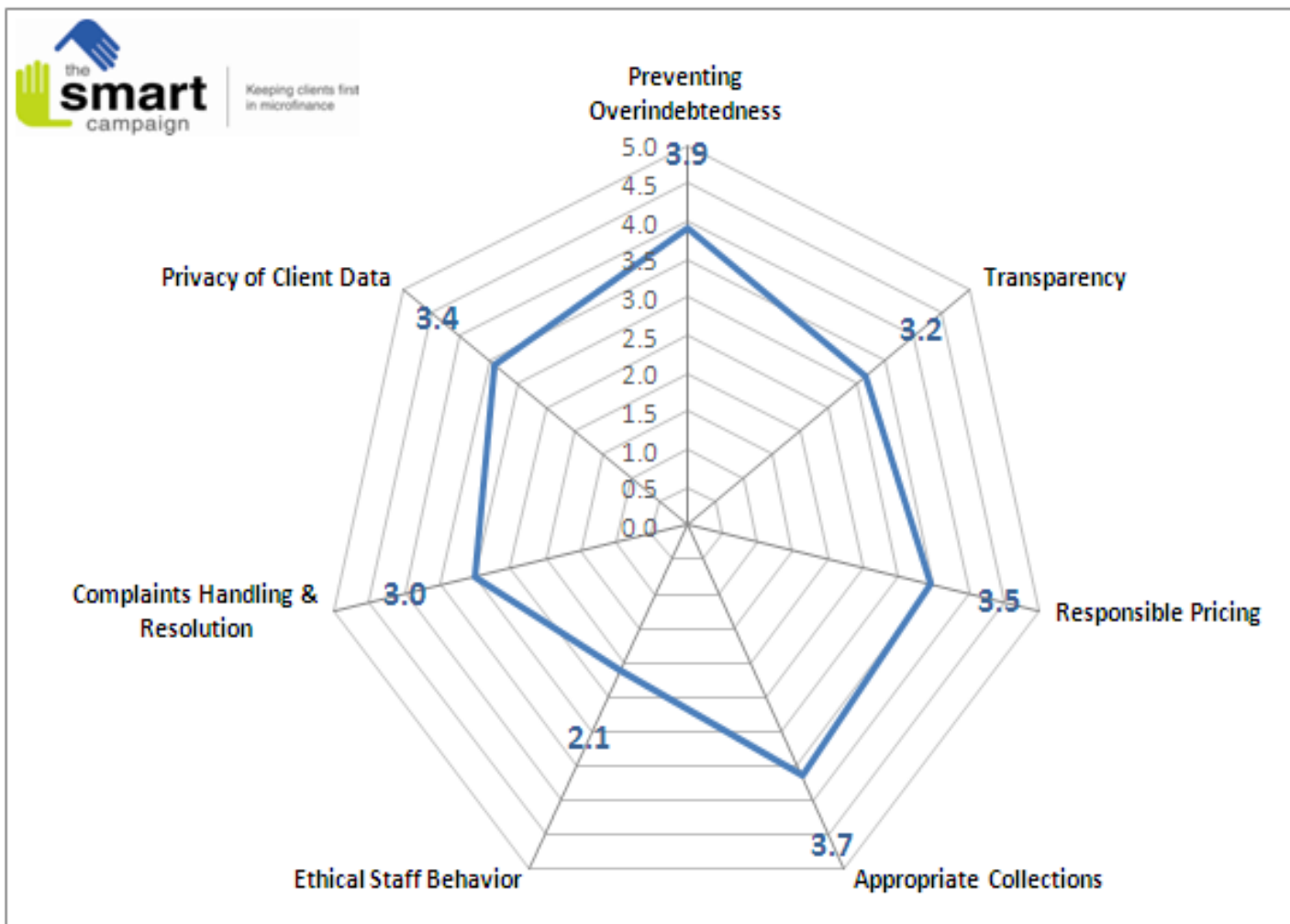
Your score



		Not true	Rarely true	Sometimes true	Often true	Very true
1: Preventing overindebtedness:						
Monitoring borrower overindebtedness	1. Management regularly monitors levels of borrower over-indebtedness and uses that information to improve products, policies and procedures.		X			
Suitable products	2. The financial institution offers multiple loan products or flexible ones that address different business and family needs			X		

Educate: self-assessment (continued)

Sample results from Getting Started questionnaire:



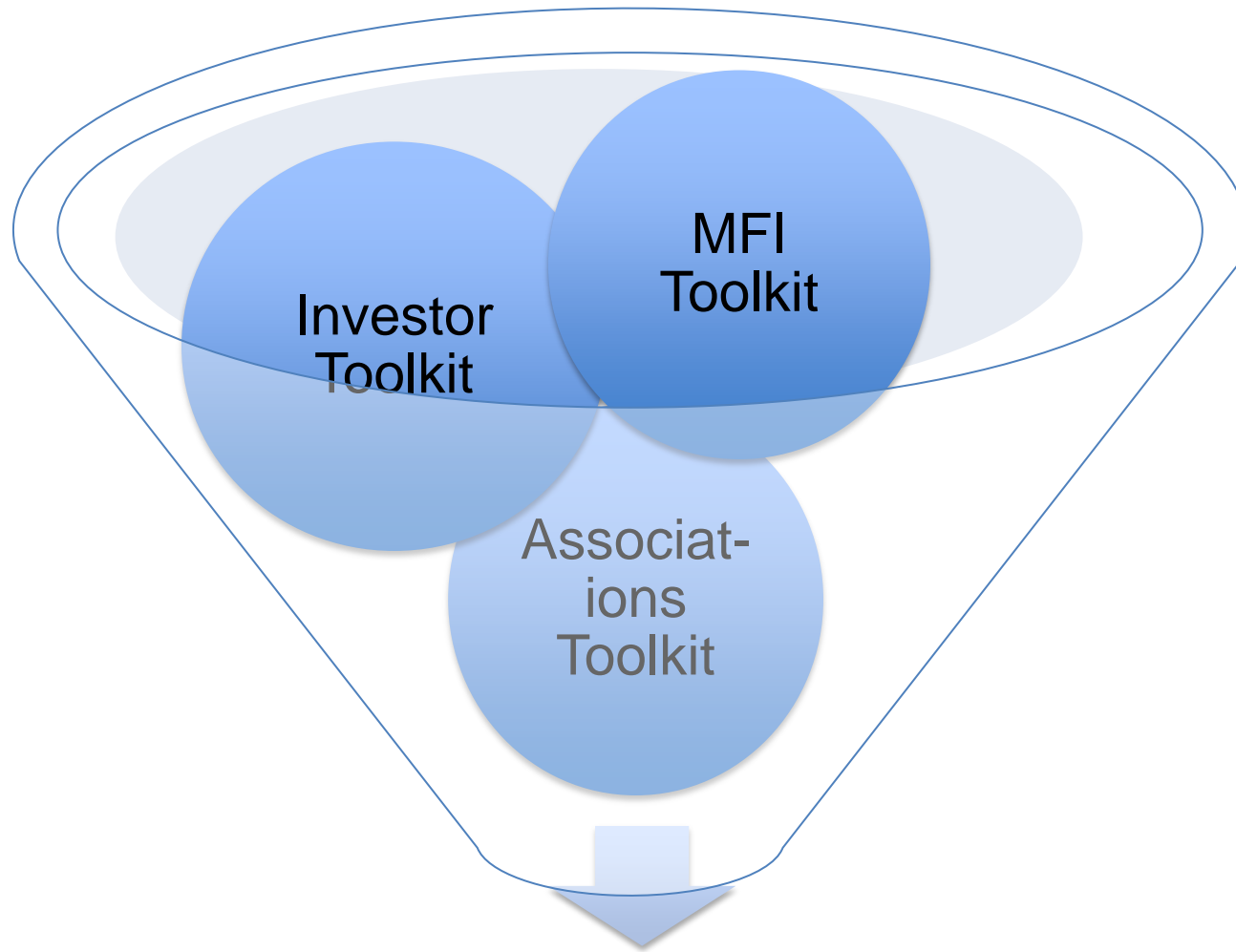
Assess: Evaluation from a Smart Certified Assessor

Assessors certified by the Smart Campaign provide objective evaluations.



Smart Certified Assessors trained in Nairobi, 2009

Change: Technical Tools Available for Download



Dozens of tools developed from industry experience are publicly available on the Smart Campaign website.

Change: Examples of Technical Tools

Conducting Client Protection Assessments: A Guide

Client Protection and Ethics Codes: Examples for Getting Started

How to Talk to a Bank: A Brochure for Consumers

Investor/Donor Planning Guide for Implementing Client Protection Initiatives

Educating Clients about Client Protection: A Guide for Financial Service Providers

Smart Lending: Client Protection in the Individual Loan Process

Complaints Handling Manual (FONDESUCRO)


Smart Note: Protecting Client Data at Fundación Delamujer



These and dozens more tools are available on the Smart Campaign website.


Change: Share and Disseminate Best Practice Examples

Example of a
“SmartNote”
case study
on client
protection



smart notes
Putting the Principles into Practice
NUMBER 1 | FEBRUARY 2010

Appropriate Collections Practices
demonstrate respect for borrowers while emphasizing the need for clients to honor their commitments to lenders.



An institution shows appropriate practices when staff treat clients with dignity even when they fail to meet their repayment commitments.

Mexico's FinComún began as a credit union in 1994, promoting savings among its members. Since 2005 FinComún has operated as a regulated financial institution offering savings, insurance, credit, and other financial products. Through alliances with strategic partners it reaches more than 150,000 clients between savings and credit.

In 2008, facing rising default rates, FinComún developed an approach called Collections with Dignity and carried out a detailed revision of the collections process to focus more on client outcomes and loan recovery. It put policies and procedures in place to implement this new philosophy. FinComún staff have been very pleased with the effects on portfolio quality and client relations.

Collections with Dignity at FinComún

In 2008, while facing rising default rates, FinComún implemented a new collections philosophy in order to support clients facing the global financial crisis and combat rising default rates. The new philosophy, Collections with Dignity, is based on the belief that collections agents should treat clients how they themselves would like to be treated.

By focusing on client outcomes as well as loan recovery, FinComún was able to strengthen relationships with clients, increase on-time payments, and mitigate some of the effects of the global financial crisis on the institution's portfolio.

RESETTING THE COLLECTIONS PHILOSOPHY

Collections with Dignity deemphasizes collections alone and instead promotes listening to clients and providing them with repayment solutions. The field staff in collections is encouraged to refer to clients as “clients with late loans” instead of “delinquent clients” in order to avoid the negative connotations and disdain associated with this word.


The revamped collections process proceeds according to the following schedule:

1. 0-56 days late: Loan officers handle collections.
2. 56-90 days late: Recovery specialists take over the process, conducting up to three home visits during which they offer financial advice and repayment solutions. During the first visit, the specialist listens to the client's problems to determine why payment is late. In the second visit, the specialist describes different repayment options to the client and asks her to think about which she would prefer. These options include lengthened payment periods, combining cash and collateral for payment, and restructuring the loan. During the final visit, the specialist and the client work together to choose the best solution.

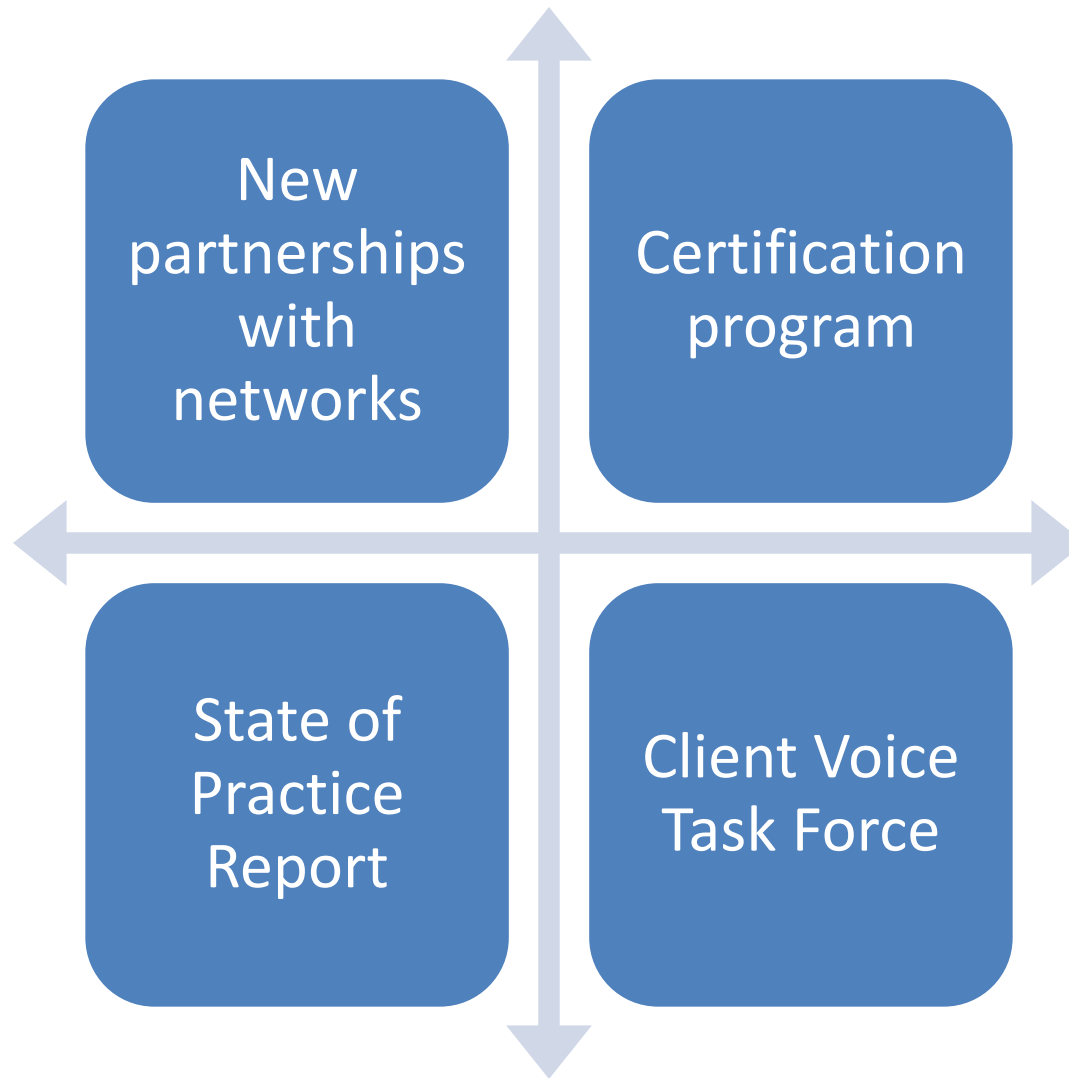
Track: Monitor Change

Through the MIX Market Social Performance Standards (SPS) Report, an MFI measures and monitors its overall social performance through a set of social performance indicators—including client protection indicators.

Sample from the MIX SPS Report:

4 Training of staff on social performance	
a Did any of your staff participate in training or orientation sessions related to any aspect of social performance management, during the reporting year?	Please choose one 
	If not, and not planning, please explain why not:
b If not, please skip this question. Otherwise, which staff have received some kind of training on social performance management during the reporting year? (Check all that apply):	<input type="checkbox"/> Board members <input type="checkbox"/> Top management <input type="checkbox"/> Middle management <input type="checkbox"/> Loan officers <input type="checkbox"/> Back office staff (MIS, accounting, administration) <input type="checkbox"/> Other (Please specify): <input type="text"/>
c On which areas related to social performance does your institution offer staff training?	

What's new at the Campaign?



Agenda

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Conclusion

The Smart Campaign is a global, industry-wide initiative promoting client protection.

The industry urgently needs to address client protection weaknesses.


The Campaign calls for transparent, responsible, and ethical practices that put clients' interests first.

The Campaign has tools to help organizations integrate and monitor good client protection practices.

Visit the Smart Campaign website for tools & resources:
www.smartcampaign.org

Call to action: How can your organization get involved and support client protection in microfinance?

Thank you!



What's
next?

Endorse the Smart Campaign. Visit www.smartcampaign.org

Sign up to receive news and information.

Download the [Getting Started Questionnaire](#) and conduct a client protection self-assessment.

Email us!
comments@smartcampaign.org