
Comprehensive List of Tools Available on the Smart Campaign Website

*documents will soon be available in the language in **red**.

Overview of the Smart Campaign and Principles of Client Protection

These are tools that provide a general overview of the Smart Campaign or which are broad activities that encompass more than one principle.

1. *Avoidance of Over-indebtedness: Guidelines for Financial and Non-financial Evaluation (English)*

“Avoidance of Over-indebtedness: Guidelines for Financial and Non-financial Evaluation” is a tool for financial service providers that want to incorporate good client protection practices into their evaluation processes for individual loan clients. Specifically, the tool provides guidelines for determining a loan applicant’s capacity and willingness to repay a loan. A careful evaluation process is critical to **avoiding client over-indebtedness**, the situation in which a client cannot repay a loan without sacrificing his or her quality of life. Financial service providers have a responsibility to actively prevent client over-indebtedness.

The tool is divided into three parts:

I. Overview of the Individual Credit Process: The Smart Campaign’s “Smart Lending” tool provides details on how to apply the Client Protection Principles at each step in the individual lending process. This section summarizes that tool and demonstrates how it interacts with this tool.

II. Collecting Financial and Non-financial Data: Collecting sufficient data on loan applicants reduces the risk of client over-indebtedness resulting from loans that clients are unable to pay, or loans to clients who are unwilling to pay. This section describes database research and data collection. For each step in the data collection process, the tool outlines: 1) The institution’s objective, 2) Client protection guidelines for the institution, 3) Additional process guidance for the institution, and 4) Related evaluation forms.

III. Evaluating Financial and Non-financial Data: After collecting client information, institutions must carefully evaluate client creditworthiness and debt capacity. This section provides guidelines for:

1. Financial and ratio analysis—provides ratios and guidelines for evaluating a client’s business and household
2. Non-financial analysis—provides non-financial indicators and guidelines for interpretation
3. Development of the loan proposal—provides guidelines for setting the installment amount, loan amount, loan term, and repayment frequency

2. *Client Protection and Ethics Codes: Examples for Getting Started (English)*

A number of organizations have already adopted either client protection or ethics codes and charters. The codes are generally an integral part of staff training and evaluation, and in many cases the codes are displayed in all branch offices. In some cases they are also communicated to clients as part of the loan

disbursal process. 20 organizations have shared their internal codes with the Campaign, including: the ACCION Network, CARE, Freedom from Hunger, the Microfinance Network, Opportunity, Sa-Dahn and Ujjivan. The full list and links to their codes and charters are available on the Smart Campaign website.

3. *Client Protection and Financial Education Simulation (English)*

With this online tool, you can complete a simulation as if you were managers or loan officers of an MFI. During each simulation, you can see the effects that your decisions have on the success of a fictional microfinance institution. In real life, the results of decisions or actions will, of course, be less predictable. The intent of the simulation is not to propose specific actions to MFIs, but to give ideas about how client protection and financial education fit into the ongoing activities of a microfinance institution.

This tool was developed as a collaborative effort among the Smart Campaign, ACCION International, and Amanda Warner, a freelance e-learning Developer for the eLearning Global Giveback Competition. We are proud that this simulation has been selected as a finalist for that competition.

4. *Client Welcome Kit (English)*

A “Client Welcome Kit” refers to the set of documents that help new clients understand their full financial obligations, what they can expect from the institution, and what to do if they experience problems along the way. Institutions should provide the Client Welcome Kit to clients prior to the first loan disbursement, and **should include the following documents, at a minimum:**

- Full loan contract
- Institutional pledge to clients
- Loan contract summary page
- Loan repayment schedule
- Welcome letter
- Complaints information handout
- Data privacy agreement—full version
- Delinquency information
- Summary data privacy agreement
- Educational materials (optional)

Using the Client Welcome Kit Documents

The following kit includes examples of each of the documents listed above, with the exception of the loan document and loan document summary (however, guidelines are provided for these documents). Financial service providers can review each of the documents in this tool when developing or improving their own new client welcome documents. A Client Welcome Kit is essential for transparent communication to new clients. It can also improve customer service, and may reduce problems that arise from clients forgetting or missing information once they go home.

The documents in this tool are *samples* and should be adapted to the institution and reviewed by local counsel to make sure that they conform to applicable laws.

5. *Conducting Client Protection Assessments: A Guide (English, Spanish and French)*

This guide is designed to provide guidance to an assessor on how to conduct a consumer protection assessment for a microfinance institution and thoroughly evaluate the MFI’s implementation of the client protection principles. It can either be used by microfinance institutions to assess their own performance or the assessment can be undertaken by an independent Smart-certified assessor. The guide leads the assessor through a step-by-step process of collecting the information and documents necessary to evaluate a microfinance institution’s client protection practices as well as offering advice on how to evaluate this information against the set of indicators for each principle, which are also included.

The Guide assists in:

- Identifying the types of documents that will need to be reviewed and the types of people who will need to be interviewed;
- Helping microfinance institutions analyze this documentation and evaluate their practices with respect to the Client Protection Principles;
- Giving recommendations on how to identify the institution's areas of opportunity for enhancing client protection;
- The companion "Resources" piece offers a selection of important recommendations, suggested questions, and resources for assessors.

6. *Consumer Protection Library (English)*

The Consumer Protection Library present country-by-country profiles of the legal and regulatory frameworks for consumer protection as well as a description of the banking associations and microfinance networks in each country.

Assembled by researchers of the Center for Financial Inclusion at ACCION International, these profiles bring together information from other languages and diverse sources, including law, public policy, banking, and microfinance. They are not exhaustive and have not been reviewed by country experts. If you notice a gap or error in any of the profiles, we would very much appreciate your comments and/or corrections. In this way we can work together to expand our understanding of the variety of client protection strategies and initiatives that are being pursued in different parts of the world. Additional country profiles will be forthcoming.

Client Protection Library - Summary of Status by Country

- **Bolivia** - [English](#) & [Español](#)
- **Bosnia and Herzegovina** - [English](#) & [Español](#)
- **Brazil** - [English](#) & [Español](#)
- **Ecuador** - [English](#) & [Español](#)
- **Ghana** - [English](#) & [Español](#)
- **Haiti** - [English](#) & [Español](#)
- **India** - [English](#) & [Español](#)
- **Kenya** - [English](#) & [Español](#)
- **Mexico** - [English](#) & [Español](#)
- **Peru** - [English](#) & [Español](#)
- **The Philippines** - [English](#) & [Español](#)
- **Venezuela** - [English](#) & [Español](#)

7. *Beyond Codes: The Foundation for Client Protection in Microfinance (English)*

"Beyond Codes," an action research project of the Center for Financial Inclusion at ACCION, was designed to provide a body of experience and knowledge from leading financial institutions serving low-income people about how consumer protection codes of conduct are implemented. The two-year project started in mid-2008 and ended in June 2010. The project aimed to develop the tools and experience that could inform the subsequent work in client protection by grounding it in practices of financial institutions.

Twelve financial institutions (FIs) participated in the project. FIs were of various ages, from less than three to more than ten years. The institutions included banks, non-deposit finance companies, NGOs, and credit unions. Some were large operations with close to one million clients, while others were medium-sized and even small, with fewer than 10,000 customers. The countries represented in the research were: Bosnia,

India, Kenya, Mexico, and the Philippines. All the FIs engaged in lending including a range of loan products using various methodologies. More than half also offered savings, transaction accounts, and insurance.

8. *Educating Clients about Client Protection: A Guide for Financial Service Providers (English)*

Financial service providers and clients share the obligation of responsible provision and responsible use of financial products and services. Clients depend on providers to uphold their responsibility for client protection, and likewise, providers depend on clients to be informed users of financial services. Providers have a responsibility to avoid over-indebting clients, offer transparent and responsibly priced products, use appropriate collections practices, behave ethically at every point of contact with clients, provide a way for clients to make complaints and have them resolved, and keep client data secure. Clients should know their product options, ask questions when they need clarification, provide the institution with accurate information about themselves, and speak up about problems. Rather than making decisions *for* clients, financial service providers should clearly communicate important financial information—some of which may be new to the client—so that clients can make good decisions on their own. Additionally, providers must enter into a conversation with clients; *dialogue* turns information into communication. **This tool is a resource for financial service providers to talk with clients about how to be informed consumers of financial services.**

9. *Getting Started Questionnaire: Client Protection Self-Assessment for Microfinance Institutions (English, Spanish, French, Arabic, Russian)*

The Getting Started Questionnaire helps microfinance institutions begin to investigate their client protection practices within their organization. Once an institution has received an introduction to the work of the campaign and client protection principles, answering this Questionnaire is the logical next step. The questionnaire is structured around the Client Protection Principles, each of which is accompanied by a list of statements about the institution's practices on that principle. The questionnaire provides a framework for evaluating a microfinance institution's practices principle by principle, focusing on the 5-10 practices that are most important for determining how effective the organization's systems are for embodying the principles. There are five categories of possible responses including: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree. For each statement, the practitioner or assessor needs to evaluate the evidence from the MFI's policies and staff interviews and determine which category most accurately represents the institution's implementation of the statement. The second worksheet of the Getting Started Questionnaire contains graphs to help the user more easily identify strong and weak practices as well as see which principles offer the institution its best opportunity to improve its client protection activities.

10. *2011 New Guidance Document and Proposed Revisions to the Client Protection Principles (English)*

This draft guidance is intended to engage participants in developing a consensus on the meaning and interpretation of each of the Client Protection Principles (CPPs). It gives general guidance on how each principle should be applied. The document begins with a general discussion of each principle and then discusses product-specific applications as the principle applies to credit, savings, payment services, and insurance. The discussions by product are at a relatively early stage of development. Detail will be added in the coming months, particularly in these areas: branchless banking, payments, savings, and microinsurance. This is a working document and comments are encouraged. Please address any comments to comments@smartcampaign.org.

11. *How to Develop an Institutional Code of Ethics (English and Spanish)*

This guide is intended to assist microfinance institutions in writing a code of ethics and/or conduct. Institutional ethics directly influence the image and reputation that employees, partners, customers and the community have of an institution. A code of ethics and/or conduct is a useful tool to "transmit" the

values, principles and vision of the mission and Institution. In practice, codes can also be used as a basis for staff re-testing or periodic recertification and provide a standard from which to measure success.

12. *Implementing Client Protection in Microfinance: State of the Practice, 2011 (English)*

"Implementing Client Protection in Microfinance: State of the Practice, 2011" is a mid-term report by the Smart Campaign, commissioned by its Steering Committee. The report has two main purposes. The first is to explain how the Smart Campaign and actors throughout the microfinance industry are working to move from initial awareness raising about client protection to capacity building, implementation, and finally certification. The second purpose is to provide a first look at how the microfinance industry is doing on the Client Protection Principles (CPPs). That look is based on 479 third-party assessments of client protection practices at more than 300 microfinance institutions (MFIs) in five global regions. The assessments were conducted by leading microfinance-focused investors, microfinance rating agencies, and, most recently, by the Smart Campaign itself.

The report draws on three main types of data:

The first type is a set of **specific examples** of client protection practices of MFIs around the world. These mini case studies, interspersed in boxes throughout the paper, are sourced mainly from Smart Campaign assessments, particularly examples where organizations decided to make changes based on findings during the assessment process.

The second type involves two streams of **self-reported data** submitted by MFIs.

- *MIX Social Performance Reports* (350 in the latest year available on the MIX, 2009). The client protection portion of the MIX social performance report is a shortened form of the Smart Campaign's "Getting Started Questionnaire."
- *The Smart Campaign's "Getting Started Questionnaire"* (98 submitted to the Smart Campaign in 2011). This 42-question checklist helps MFIs assess their own practices as a way to identify areas they may wish to improve.

The third type is **third-party assessment data**, the **CPP Benchmarks 0.1**. This dataset was put together specifically for this paper, and comprises third-party on-site evaluations drawn from multiple sources. The Smart campaign anticipates a follow-up to this report in the next one to two years. We encourage feedback and collaboration from the industry in future reviews. Please share your comments, experiences, challenges, etc. around implementing the CPPs by sending us an email at: comments@smartcampaign.org.

13. *How to Talk to a Bank: A Brochure for Consumers (English)*

The fast growth of Serbia's banking sector has flooded consumers with options for choosing banking services. This brochure by Procredit Bank explains to Serbian consumers how banking operations work and how to communicate with bankers. It provides information on the most important aspects of taking out a loan and on the importance of savings. Microfinance institutions can create brochures similar to Procredit's to ensure that their clients know how to ask about the terms and conditions of the services that are being marketed to them.

14. *Implementing the Client Protection Principles: A Technical Guide for Investors, 2nd Edition (English)*

In September 2009, CGAP published the first edition of this technical guide for investors to support the integration of the six principles into investors' policies and processes. This second edition reflects the developments in implementation and practices over the past year.

Experience in putting client protection into practice is accelerating quickly. Many investors are now moving from endorsing The Smart Campaign's six Client Protection Principles to mainstreaming concrete action.

This guide provides an updated set of action steps for investors, including a new due diligence tool that provides practical guidance and tips on how to assess implementation of client protection practices by retail providers. This guide also reflects on the main operational questions investors are facing, such as how to assess over-indebtedness and transparent and responsible pricing, and emerging responses.

15. *Investor/Donor Planning Guide for Implementing Client Protection Initiatives (English)*

Investors and donors can use this short worksheet to plan for the integration of client protection into their due diligence processes and their funding strategies. The worksheet first guides the user through the process of assessing current resources and priorities, to take stock of where client protection efforts may best fit within current workflows. Then, the worksheet provides two tables in which several possible client protection activities and initiatives are presented. Users can fill in the tables, indicating possible activities, estimating time commitments, and laying out specific steps to accomplish the initiative. Though presented as an internal planning resource, the worksheet results can easily be shared with external stakeholders such as funders or microfinance institution clients.

16. *Overview Training Presentation (English, Spanish and French)*

17. *Overview Training Presentation Guide (English)*

18. *Smart Lending: Client Protection in the Group Lending Process (English and Spanish)*

This guide is designed to help MFIs incorporate good client protection practices into their group lending policies and operations. The tool is applicable to a wide range of credit methodologies and can be adapted for use by various forms of group lending including village banking methodology and “group of groups” methodology.

The group lending process is organized into five key phases: (1) Client Recruitment & Group Preparation, (2) Evaluation, (3) Group Loan Approval, (4) Disbursement, and (5) Customer Service and Collections. Each of these phases is further segmented into distinct Service Points—or points of interaction with the client. For each Service Point, the tool:

- Demonstrates how an MFI can model good practice in client protection in their policies and operations;
- Identifies which Client Protection Principles are affected; and
- Provides recommendations for the use of client protection tools that could help MFIs improve their client protection practices.

19. *Smart Lending: Client Protection in the Individual Loan Process (English, Spanish and French)*

Throughout the credit process there are points at which microfinance institutions can implement client protection practices. This guide is designed to help microfinance institutions with individual lending operations integrate good client protection practices at the intersection points throughout the credit process. At each point in the individual lending process, the guidelines explain how MFI staff should incorporate client protection into policies and operations.

The guidelines are largely focused on operational issues, with brief recommendations about setting up policies for the institution. They walk the user through each major step of the individual lending process, organized into five phases: 1) Promotion and Sales, 2) Evaluation, 3) Approval, 4) Disbursement, and 5) Collections. The chart begins with an overview of the entire credit process and then provides greater detail on each of the five phases. At each appropriate step in the process, the guidelines identify where

client protection practices can and should be incorporated. Each of those intersections is denoted with a client protection intervention point number (e.g. CP1, CP2 etc.). Guidelines for each CP include suggestions for how to model good practice in consumer protection for that portion of the credit process.

20. *Smart Lending: Client Protection in the Group Lending Process - India (English)*

The tool is applicable to Grameen-style group of groups credit methodology and was developed specifically for Indian MFIs.

21. *Smart Note: Implementing an Industry Code of Conduct at PMN (English)*

In an increasingly competitive microfinance market, the Pakistan Microfinance Network (PMN) helps its members offer the best financial services and customer service. In this effort, PMN formally launched its Consumer Protection Initiative in January 2009. The initiative centers on improving consumer protection practices through a voluntary Code of Conduct for Consumer Protection and a call center for receiving and responding to client grievances.

22. *Smart Note: Client Protection Good Practices in Europe and Central Asia (English)*

In 2010, the Microfinance Centre, Poland honored four of their member institutions with the “MFC Excellence in Customer Protection” award. The award recognized good practices in client protection at Access Bank (Azerbaijan), Adie (France), EKI Micro-credit Foundation (Bosnia and Herzegovina), and KazMicroFinance (Kazakhstan).

This Smart Note examines the client protection practices of these four microfinance institutions, demonstrating how the institutions are preventing client over-indebtedness: transparently disclosing loan prices, terms, and conditions; and treating clients fairly and with respect.

Microfinance institutions can use this Smart Note to generate ideas for how to improve their own client protection practices.

23. *Smart Savings: Client Protection in the Savings Process (English and Spanish)*

In addition to protecting credit clients, MFIs must also protect savers. This guide is designed to help MFIs, banks, NGOs, and other types of financial institutions identify and integrate good client protection practices in the savings process at every point of interaction with the client.

This document segments the savings process into five phases, each of which is comprised of at least one service point. The five phases are: (1) Promotions & Sales, (2) Application & Approval, (3) Opening & Servicing the Account, (4) Accepting Withdrawals & Paying Deposits, and (5) Closing the Account. Each of these phases is further segmented into distinct service points or points of interaction with the client.

24. *Transparency in Promotions and Sales: A Checklist for Financial Service Providers (English)*

Financial service providers must fully disclose to clients the prices, terms, and conditions of their financial services. Transparency protects clients by allowing them to make financial decisions based on full and accurate information. However, full disclosure is not enough—financial service providers must provide complete information in a *form that is understandable to clients*. This includes using plain language that does not mislead or confuse clients, using multiple methods to disclose information, and using materials and communications methods appropriate to clients’ financial literacy.

Financial service providers should observe the principle of transparency at every point of interaction with the client, from promotions, to loan disbursement, to repayment, to account closing. **This tool focuses on the first point of contact with the client—the initial “sales pitch.” Financial service providers can use this tool to improve transparency when promoting and selling credit and savings products.**

The tool contains five “good practice” checklists:

- I. A checklist of communication “do’s” and “don’ts” that apply to all interactions with clients during the promotions and sales process
- II. A checklist for transparency when selling individual loans
- III. A checklist for transparency when selling group loans
- IV. A checklist for transparency when promoting savings products
- V. A checklist for transparency when selling products to clients with extra needs

Managers should examine the tool to determine which elements apply to their institution. Then, managers should review the tool with sales staff and discuss how to apply the checklists to staff interactions with clients. The Smart Campaign encourages financial service providers to adapt the tool to their particular products and sales techniques.

Principle 1: Avoidance of Over-Indebtedness

1. *Banco Solidario: Loan Officer Training Manual (English and Spanish)*

Banco Solidario shared with the Campaign their Loan Officer Manual, which includes a Code of Ethics for credit staff and procedures for financial and non-financial evaluation. The Code of Ethics gives loan officers full responsibility for client capacity analysis, and the manual guides loan officers through the analysis process, including the relevant financial formulas. The manual makes it clear that Banco Solidario does not rely on collateral for determining a client's capacity to repay, but rather on careful evaluation of the client's economic and social situation. The instructions in the manual help loan officers make quality disbursement decisions and minimize the risk of client over-indebtedness.

2. *Debt Management Guide (English)*

The National Credit Regulator (NCR) of South Africa publishes a debt management guide that is available to all South Africans, called *Take Control of Your Finances*. The guide provides basic information about how to identify over-indebtedness, tips on how to avoid and deal with over-indebtedness, consumers' rights, how to access a debt counselor and tips on how to avoid and deal with money-scams, repossessions and surrenders (voluntary repossessions).

3. *Fonkoze: Guide for Credit Agents — Evaluating Clients for Fonkoze's Post-Disaster Recovery Program (English and Haitian Creole)*

Fonkoze shared with the Campaign their "Guide for Credit Agents: Evaluating Clients for Fonkoze's Post-Disaster Recovery Program," which guides credit agents in disbursing credit in a post-disaster environment—a time when microfinance clients are particularly vulnerable to over-indebtedness. The guide instructs credit agents to evaluate the different factors that affect a client's ability to take on debt after a disaster, including their business, living situation, and wellbeing (mental and physical). Additionally, the guide instructs loan officers to make credit decisions in collaboration with the center chief and group leader (client leadership), who know the client best. These measures help loan officers make quality disbursement decisions and minimize the risk of client over-indebtedness.

4. *KazMicroFinance: How to Assess Client Businesses (English)*

KazMicroFinance shared with the Campaign their PowerPoint training for loan officers, "How to Assess Client Businesses." This short presentation trains loan officers in how to thoroughly evaluate a potential client. Loan officers are required to visit the client's business location and meet with the guarantor. During the visit, the loan officer completes four forms: balance sheet, income statement, cash flow analysis, and cross-check analysis (verification of the viability of the business from sources other than the business owner). These measures help loan officers make quality disbursement decisions and minimize the risk of client over-indebtedness.

5. *Microfund for Women: Client Business Evaluation Toolkit (English)*

All financial institutions should carefully establish the borrower's ability to afford the loan and repay it. Borrowers should be able to handle debt service requirements without sacrificing their basic quality of life. Similarly, the institution takes adequate care that non-credit, financial products (such as insurance) extended to low-income clients are appropriate to their needs and means.

Microfund for Women shared with the Campaign their toolkit for assessing the repayment capacity of individual borrowers. Consisting of a total of four forms—including the loan application—this toolkit provides credit staff a complete profile of the health of the potential client's business, and their capacity to take on debt. Importantly, the application form requires loan officers to collect details about the client's outstanding debts and credit history. Together, these forms help the institution make quality disbursement decisions and minimize the risk of client over-indebtedness.

6. *Opportunity Bank Serbia: Loan Calculator (English and Serbian)*

Opportunity Bank Serbia shared with the Campaign their Loan Calculator Toolkit for determining the appropriate loan size for a potential client. Based heavily on information gathered from the national credit bureau, this Excel-based tool requires a thorough evaluation of the client's business, family income, and existing debt. Loan officers answer the required questions, and the tool automatically calculates the client's risk profile, according to the standards set by the bank. This calculation helps loan officers make quality disbursement decisions and minimize the risk of client over-indebtedness.

7. *Smart Note: Facing Over-indebtedness at Partner Microcredit Foundation (English and Spanish)*

Lending in a highly competitive microcredit market, Partner Microcredit Foundation avoids client over-indebtedness by recognizing that a risk for the client is a risk for the institution. To mitigate these risks, Partner performs rigorous credit analysis of its clients before issuing a loan and follows up with audits to verify proper staff behavior and discover why clients are not able to meet their obligations. Proactive measures like financial-literacy programs and client-loyalty efforts complement analysis and audits to create a robust system to avoid client over-indebtedness.

8. *Training Presentation (English, Spanish and French)*

9. *Training Presentation Guide (English)*

Principle 2: Transparent Pricing

1. *Calculating Transparent Prices Tool (English)*

MicroFinance Transparency offers a basic tool to help microfinance institutions understand the factors that influence the "effective interest rate" or the APR (Annual Percentage Rate). It also provides formulas used to calculate comparative costs of different loan products using a standardized approach. Microfinance institutions can use this tool for calculating their own effective interest rates, thereby demonstrating transparent for the pricing of their loan products to anyone who asks.

2. *Loan Agreement for Small Business Clients (JSC MFO Crystal) (English)*

This contract is used with clients seeking small businesses credit. The contract is succinct, written in plain language, and uses very little jargon. It details loan terms, fees, and penalties, and importantly, spells out the rights and responsibilities of both parties. Clause 5.10, "The Lender takes responsibility to provide Borrower with full and clear information on the loan...including all potential fees and changes..." is particularly important for transparency. The contract includes an amortization schedule that separates principal, interest, and fees, and defines the amount, number, and due dates of installment payments. Finally, the contract states that the client shall receive a copy of the signed document, an important factor in ensuring transparency with the client. The Smart Campaign encourages institutions to download and review this document, and to use it as a "good practice" example for creating or improving their own loan contracts. **This PDF document includes annotations that highlight several of the most important aspects of the loan contract. Simply click on the yellow note boxes to reveal the notes.**

3. *Loan Contract Summary Handout (MiBanco) (English and Spanish)*

The Smart Campaign encourages institutions to download and review this document, and to use it as a "good practice" example for creating or improving their own loan contract summaries. **This PDF document includes annotations that highlight several of the most important aspects of the loan contract. Simply click on the yellow note boxes to reveal the notes.**

4. *Putting Transparency into Practice: Communicating about Pricing (English)*

The Smart Campaign and MicroFinance Transparency (MF*Transparency*) are complementary efforts to increase transparency in the microfinance industry and institutionalize strong client protection practices in the sector. While the Smart Campaign advances the Client Protection Principles, MF*Transparency* specializes in deep technical knowledge of one of those principles, "transparency," and supports analysis of a second, "responsible pricing." The Smart Campaign endorses the work of MF*Transparency* and promotes the use of their resources and expertise.

This brief document describes how financial service providers observe the principle of transparency, current resources that exist to help providers understand and communicate their prices to clients, and information on where providers can find more information from the Smart Campaign and MF*Transparency*.

5. *Responsible Pricing the State of the Practice (English, Spanish and French)*

In order to move in the direction of clearer guidance, the Campaign prepared this discussion paper. It examines the full range of approaches to responsible pricing of loans, from promoting competition, to return on equity limitations, to interest rate caps, to comparative transparency. These approaches are discussed in the context of the cost curves developed by MicroFinance Transparency, which plot detailed information on pricing, terms and conditions among all the (participating) lenders in a country. Among the most important messages to emerge from the Microfinance Transparency data are:

- Pricing and the cost structures that determine it vary widely from one country to the next. It makes sense to judge institutions in their country setting and against their competitors.
- Small loans require higher—and sometimes surprisingly much higher – interest rates and fees. This argues against interest rate or price caps, which penalize institutions attempting to reach harder-to-serve clients such as poorer people.
- Analysis of individual providers should account for factors such as outreach to (more costly) rural areas, provision of non-financial services, high profits or inefficiency. All of these factors contribute to a final determination of whether pricing is responsible.

6. *Smart Note: Transparent and Responsible Pricing at Mi-Bospo (English)*

The Bosnian MFI Mi-Bospo focuses on client protection to safeguard both the institution and clients. For Mi-Bospo, transparency and responsible prices are key elements of ensuring client satisfaction. The MFI ensures transparency by screening potential hires, adhering to strict marketing guidelines, and taking time during the loan process to be sure that clients understand their rights and responsibilities.

Mi-Bospo offers responsible pricing by carefully analyzing their clients' businesses to determine the interest rates they can afford to repay. Additionally, Mi-Bospo regularly compares their prices to those of similar competitors, to make sure they remain competitive in the local market. Finally, Mi-Bospo carefully monitors operating expenses to keep them low, but has found that staff salaries must remain competitive to ensure staff loyalty and retention, both of which help Mi-Bospo better serve clients.

7. *Training Presentation (English, Spanish and French)*

8. *Training Presentation Guide (English)*

Principle 3: Appropriate Collections Practices

1. *Best Practices in Collections Strategies (English and Spanish)*

ACCION International explains the collections process it employs and draws on its experiences with collections programs throughout Latin America and with new collaborations in India. In both continents the MFIs are primarily providing individual loans. Read more about the best practices that a microfinance institution should consider when attempting to successfully implement collections activities.

2. *Code of Conduct for Collections and Collections Practices for Group Loans at Swadhaar FinServe Pvt. Ltd. (English)*

Institutions that observe the principle of Appropriate Collections Practices treat clients with dignity even when clients do not meet their contractual obligations. Swadhaar FinServe Pvt. Ltd. shared their Code of Conduct for Collections and their Collections Practices for Group Loans with the Campaign, both of which provide collections staff with specific guidelines and procedures for treating clients with dignity during the collections process.

3. *Smart Note: Collections with Dignity at FinComún (English and Spanish)*

In 2008, FinComún, a regulated MFI in Mexico, took action to combat rising default rates through the implementation of a new collections philosophy. The institution's new Collections with Dignity philosophy was designed to support clients facing the global financial crisis and improve both collections rates and portfolio quality. The new approach is based on the belief that collections agents should treat clients how they themselves would like to be treated. To accomplish this certain practices were implemented including retraining staff, creation of a series of Payment Solutions, and more personalized attention to clients. 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.

4. *Training Presentation (English, Spanish and French)*

5. *Training Presentation Guide (English)*

Principle 4: Ethical Staff Behavior

1. *Code of Conduct E-Learning Module (Grameen Financial Svcs Pvt. Ltd.) (English)*

As noted in Principle 4: Ethical Staff Behavior, financial service providers must foster a corporate culture that values high ethical standards among staff and ensure that safeguards are in place to prevent, detect, and correct corruption or customer mistreatment. A critical step towards establishing such a corporate culture is ensuring that each employee clearly understands the institutional Code of Conduct and how it is applied in client interactions.

In March 2011, the Smart Campaign issued a Call for Tools to the microfinance industry: “Training Staff for Ethical Behavior.” We asked institutions to send us examples of their staff training materials on ethical behavior, including materials used to test staff knowledge of ethics.

Grameen Financial Services Pvt. Ltd. (GFSPL) shared with the Campaign its Code of Conduct E-Learning Module, which is used to test employee knowledge of the institution’s Code of Conduct. GFSPL’s code was created based on other codes endorsed by leading microfinance bodies in India—the Microfinance Institutions Network (MFIN) and Sa-Dhan—as well as the guidelines offered by the Smart Campaign. During GFSPL’s employee induction, all trainees are introduced to the code, as well as the institutional mission, vision, and values. Employees are trained on the expected treatment of customers, as well as appropriate and inappropriate workplace behavior. The following module is an interactive review of training material, and tests understanding of the institution’s ethical standards. All employees must successfully complete each of the questions in the module.

The Smart Campaign encourages institutions to download and review this document and consider it as a good example of a systematic gauge of employee understanding of ethical standards. Note: the specific guidelines, policies and procedures contained in this module are specific to the institution and legal framework within India. They may not be applicable for all institutions.

2. *Collections Guidelines for Financial Service Providers (English)*

Financial service providers must treat clients with respect and dignity at all times, even when clients fail to meet their contractual commitments. “Collections Guidelines for Financial Service Providers” is a checklist for institutions to assess their collections policies and practices, with the goal of strengthening client protection during the collections process. The tool addresses collections policies, practices, manuals, and training of field staff. For each of these topics, an institution can compare “good practice” with its own practice, and identify areas for improvement. With this information, institutions can develop an action plan addressing weaknesses. During this effort, financial service providers may want to access other Smart Campaign resources for improving collections practices, found on the Smart Campaign website. Beyond checklists for assessing practices, the tool provides a discussion guide for training staff on appropriate collections—including two group exercises for field staff. This section is important for helping staff understand how to use the institution’s collections policies in their daily work, including handling difficult clients and ethical dilemmas.

3. *Illustrations and Activities for Training Loan Officers on Customers’ Rights and Responsibilities (Sahayata MicroFinance Pvt. Ltd.) (English)*

As noted in Principle 4: Ethical Staff Behavior, financial service providers must foster a corporate culture that values high ethical standards among staff and ensure that safeguards are in place to prevent, detect, and correct corruption or customer mistreatment. Thorough staff training on ethical standards is required to establish such a culture, but it is also important to make sure that clients understand their rights and

responsibilities as microfinance customers. Informed clients are more likely to fulfill their obligations, as well as report potential abuses by employees or other customers.

In March 2011, the Smart Campaign issued a Call for Tools to the microfinance industry: “Training Staff for Ethical Behavior.” We asked institutions to send us examples of their staff training materials on ethical behavior. **Sahayata Micro Finance Pvt. Ltd.** (India) shared with the Campaign their illustrations and activities for training loan officers on customer rights and responsibilities.

The "Customers' Rights and Responsibilities Illustrations" are a series of simple pictures and texts that demonstrate five client rights and five client responsibilities, each of which are aligned with the Client Protection Principles. The sets may be used for training field staff on how to inform clients of their rights and responsibilities and also may serve as visual aids for training clients.

The Customers' Rights Activity is a simple, versatile tool that may be used during field staff training. Print-and-cut cards contain a one or two-sentence description of a staff member's behavior towards clients. Trainees are asked to read the card and decide which customer right is supported or violated by the behavior described. The cards may be used to stimulate discussion among small groups of trainees, or they may be used to test trainees' understanding of ethical behavior. The cards are easily modified to make them appropriate to specific contexts and “real life” scenarios.

The Smart Campaign encourages institutions to download and review these documents as examples for creating simple, dynamic training tools for informing staff and clients about customer rights and responsibilities.

4. *Smart Note: Building Institutional Culture Around a Code of Ethics at Compartamos (English and Spanish)*

In 2004 Compartamos Banco established a formal Code of Ethics, built around a set of six institutional values, including Responsibility, Passion, Profitability, Teamwork, and Service. At the core of these values is the Person and the idea that each person, whether an employee or a client, is valuable to an integrated whole. Shortly after establishing a code of ethics, Compartamos created a department to review, monitor, and institutionalize the code throughout the institution. As a result, the bank's emphasis on ethical behavior is evident throughout the institution.

5. *Smart Note: Ethical Staff Behavior at Alalay Sa Kaunlaran, Inc. (English)*

With limited financial resources and few service options, microfinance clients are particularly vulnerable to corruption and unscrupulous business practices. The **principle of ethical staff behaviour** aims to ensure that financial service providers maintain high ethical standards in their interactions with microfinance clients. Adequate safeguards must be in place to detect and correct corruption from staff or mistreatment of clients.

Developing and maintaining an ethical corporate culture requires that an organization clearly state its values and ethical standards through a code of conduct. Management and staff at all institutional levels must be trained in ethical behavior and receive appropriate rewards and sanctions for their ability or failure to comply.

Alalay Sa Kaunlaran, Inc. (ASKI), a microfinance institution in the Philippines, believes that ethical staff behavior is a critical component of good customer service and human resources management. ASKI implements their written “Code of Conduct and Discipline” through staff training, staff performance reviews, client satisfaction surveys, and the ASKI Values Protocol—an established process for addressing staff violations of the code. In addition, clients can provide instant feedback on staff behavior by sending text messages directly to ASKI. These measures help the institution maintain an ethical corporate culture.

6. *Training Presentation (English, Spanish and French)*

7. *Training Presentation Guide*

Principle 5: Mechanism for Redress of Grievances

1. *Complaints Analysis Spreadsheet (FMMB) (English and Spanish)*

All MFIs should have in place processes for receiving and handling client complaints. MFIs need to have clear processes that detail how staff should interact with clients and how complaints should be handled. They should have appropriate forms for both clients and staff in order to make clients know that their complaints are taken seriously and there will be follow-up. Additionally, it is important for MFIs to have clear processes that detail who will respond to clients' complaints and the appropriate times to do so.

The Fundación Mundial de la Mujer Bucaramanga (FMMB) has shared with the Campaign their complaints analysis spreadsheet for monitoring and classifying complaints. It is intended to divide complaints according to their importance, type, and branch. This allows the institution to adequately monitor their branches and determine where and how they can improve their customer service.

2. *Complaints Handling Brochure for Clients (Opportunity Bank) (English and Serbian)*

Opportunity Bank Serbia has shared with the Campaign a client brochure detailing exactly where and how to lodge a complaint. The brochure provides clients with a list of steps for introducing a complaint or suggestion through various means--such as a suggestion box, telephone call, email, or in person--and also provides information about next steps and what to do if the client is not happy with the outcome. The institution provides contact information for each of their offices to which clients can call and ask for more information.

3. *Complaints Handling Manual (FONDESURCO) (English and Spanish)*

FONDESURCO in Peru shared their Complaints-Handling Manual with the Campaign. The manual carefully describes the complaints process and who is responsible for each piece. Additionally it contains two flow charts detailing the process for complaints and suggestions, copies of forms provided to clients and staff directed at lodging complaints and their respective follow-up, as well as copies of brochures given to clients at offices to inform them about the complaints process.

4. *Complaints Handling Manual (Tamweelcom) (English and Arabic)*

Tamweelcom in Jordan has provided the Campaign with their Complaints Handling Manual, which contains detailed scripts of telephone interactions with clients, a flow chart of the complaints process within the institution, as well as their internal forms to be filled out by both clients and staff when a complaint is lodged. This tool will give MFIs a good example of what types of forms and follow up are necessary to keep track of complaints and their resolution.

5. *Training Presentation (English, Spanish and French)*

6. *Training Presentation Guide*

Principle 6: Privacy of Client Data

1. *Security is the Key: Pocket Guide to Financial Security for Clients (English and Spanish)*

Finamerica provides a pocket-size brochure with tips about how to protect one's security and prevent identity theft, robberies, and other possible threats to the privacy of their personal information.

2. *Smart Note: Customized IT at Caja Morelia Safeguards Client Data (English and Spanish)*

Privacy of client information requires both high quality data security protocols and diligence in maintaining the confidentiality of client information. Upon transforming to a regulated financial services provider, Caja Morelia needed to meet federal data management and reporting requirements. Faced with these new technology needs, Caja invested in a data management system and supporting processes to provide superior data security.

3. *Smart Note: Protecting Client Data at Fundación Delamujer (English)*

Microfinance institutions protect the privacy of client data by safeguarding clients' personal and financial information and by strictly controlling how information is gathered, processed, and shared with others. These measures show respect for client information by shielding it from theft and misuse. Fundación Delamujer is a Colombian NGO and affiliate of Women's World Banking that has emphasized protection of client data in recent years. Viewing client data as a valuable institutional asset, Fundación Delamujer has upgraded its systems, policies and procedures to ensure the security of client and institutional data. At the same time, the institution implements ongoing staff training and awareness campaigns to create a "security culture" at all levels of the institution.

4. *Training Presentation (English, Spanish and French)*

5. *Training Presentation Guide (English)*