SPTF

Universal Standards for Social Performance Management


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STANDARDS

INTRODUCTION TO THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT

WHAT ARE THE **UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT**?

The Universal Standards for Social Performance Management ("the Universal Standards") clarify and standardize social performance management (SPM) practices and bring together good practices implemented successfully throughout the industry into one comprehensive manual. They were created by and for people in microfinance as a resource to help financial institutions (FIs) achieve their social goals.

The Universal Standards respond to demand from the sector. Stakeholders around the world identified the need to aggregate all the learning from the various social performance initiatives into one single document. Creating the Universal Standards was thus a global, collaborative effort. SPTF received input from representatives from every major stakeholder group: financial service providers, networks, investors, raters and auditors, support organizations, and others.

The Universal Standards manual contains "standards," which are simple statements of what the institution should achieve, and "essential practices," which are the management practices the institution can implement in order to meet the standards. The practices contained in the Universal Standards are field-tested. These are management practices that experts working in the field have seen in action and agree are essential for any institution seeking to achieve social goals.

The Universal Standards apply to any financial service provider with one or more social goals. They do not dictate what specific social goals an institution should have, but identify the *management practices* that help an institution make progress toward its chosen goals.

The Universal Standards also demonstrate a significant, voluntary effort by the microfinance sector to self-regulate. As financial service providers take steps to implement the Universal Standards, and other stakeholder groups align their work to the Universal Standards, the industry demonstrates its commitment to improving its performance management. This enhances the credibility of our institutions and the reputation of our industry.

WHO CREATED THE UNIVERSAL STANDARDS?

The SPTF invited all of its members to help develop the Universal Standards. Ultimately, about 400 people, and all stakeholder groups, contributed actively. The SPTF Secretariat team managed the development process, which had two phases:

Phase 1 lasted about 18 months and had many steps:

- The SPTF Secretariat reviewed existing standards and practices recommended by prominent social performance initiatives (such as the Smart Campaign, Imp-Act Programme, MF*Transparency,* MicroSave, CERISE, PPI, MIX, ILO) throughout the industry and gathered them into a single document to serve as a first draft;

- SPTF solicited and received feedback from its members, as well as experts outside of the Task Force, through a variety of channels: working groups that met multiple times, surveys, webinars, and five public comment periods and direct discussions with microfinance institutions conducted by networks;

- The SPTF Board of Directors, whose members are elected by the Task Force, conducted a final review and ratified the document in June 2012.

Phase 2 lasted about 12 months and focused on pilot testing:

- Eight major global microfinance networks and 10 national microfinance associations conducted informal assessments of Universal Standards implementation with their MFI partners. This pilot testing took place in all regions of the world.
- 40 national microfinance associations participated in an awareness raising campaign with their FI members and provided feedback.

Based on the pilot testing, SPTF launched an updated version of the standards and essential practices in January 2014.

HOW IS THE MANUAL ORGANIZED?

The Universal Standards manual organizes SPM practices into the following six dimensions:

- **Define and Monitor Social Goals**
  The institution knows who it is targeting, what its goals are, and how its products and services help to achieve those goals.

- **Ensure Board, Management, and Employee Commitment to Social Goals**
  Managers actively monitor the institution's social goals and employees understand the institution's strategy and how their own work contributes to achieving both social and financial goals.

- **Design Products, Services, Delivery Models and Channels That Meet Clients' Needs and Preferences**
  The institution gathers direct input from clients and develops products and services that create benefits for clients by 1) reducing barriers to financial inclusion, 2) strengthening ability to cope with common emergencies, and 3) enabling them to invest in economic opportunities and address anticipated household needs.

- **Treat Clients Responsibly**
  The institution incorporates client protection mechanisms in every aspect of its work—from the goals it sets, to how it interacts with clients and trains employees, to the products and services it offers.

- **Treat Employees Responsibly**
  The institution ensures that employees are protected, trained, and motivated.

- **Balance Financial and Social Performance**
  The institution balances its pursuit of sustainability and social performance.

HOW DO THE UNIVERSAL STANDARDS INCORPORATE THE SMART CAMPAIGN'S CLIENT PROTECTION STANDARDS?

The Universal Standards manual contains all 30 of the Smart Campaign's client protection standards. These 30 standards describe adequate practice for each of the seven Client Protection Principles, and are included in the Universal Standards as essential practices. Dimension 4 contains most of the client protection standards (21 of 30). The remaining nine standards are relevant to Dimensions 2, 3, and 6, and are located in those sections. To view all of the client protection standards in one place, please visit the Smart Campaign's website: http://www.smartcampaign.org/certification/certification-standards.

HOW DO THE UNIVERSAL STANDARDS RELATE TO THE PRINCIPLES FOR INVESTORS IN INCLUSIVE FINANCE (PIIF)?

The Universal Standards and the PIIF are aligned but apply to different stakeholders. The Universal Standards are management practices for retail providers to implement, while the PIIF are a self-audit and public reporting tool that apply to investors. Note, however, that responsible investors can use the Universal Standards to inform their due diligence and monitoring of their investees, but they would use PIIF to report on their own performance.

HOW CAN I ASSESS WHETHER MY INSTITUTION IS IMPLEMENTING THE UNIVERSAL STANDARDS?

A free self-assessment tool is available—the SPI 4, developed by CERISE in coordination with the SPTF and the Smart Campaign. The main purpose of the Universal Standards is to help financial institutions improve practice, and self-assessment is a key step in this process. To that end, SPTF's Indicators Working Group spent a year developing indicators for each of the essential practices in the Universal Standards manual. These indicators are metrics that assess whether, or to what degree, each essential practice is being implemented. The SPI 4 transforms these indicators into an assessment tool that identifies strengths and weaknesses and is fully aligned to the Universal Standards. The tool is publicly available and can be used for both a self-assessment or a guided assessment. For more information and to download the tool, go to the tool Wiki page: http://spi4wiki.pbworks.com.

IS COMPLIANCE MANDATORY?

No. SPTF does not require or monitor compliance with the Universal Standards. It does, however, encourage all members to make their best efforts to implement and/or promote implementation of the Universal Standards. However, those who wish to demonstrate their level of compliance with the Universal Standards may do so by commissioning a social rating from a rating agency that has aligned its tool to the Universal Standards.

1A. The institution has a strategy to achieve its social goals.

1B. The institution collects, reports, and ensures the accuracy of client-level data that are specific to the institution's social goals.

Dimension 1. DEFINE AND MONITOR SOCIAL GOALS

STANDARD

1A. THE INSTITUTION HAS A STRATEGY TO ACHIEVE ITS SOCIAL GOALS

Essential Practices

1. The institution's strategy includes a formal mission statement, which includes increasing access to financial services for vulnerable or excluded target groups and creating benefits for these clients.
2. The institution's strategy defines the specific characteristics of its target clients.
3. The institution's strategy defines social goals.
4. The institution's strategy defines measurable social targets for client-level outputs and outcomes.[1]
5. The institution's strategy defines social indicators to measure progress toward social goals.
6. The institution's strategy articulates how its products, services, delivery models and channels will achieve its social goals.

1 The term "output" refers to an action taken by the institution to improve client well being (e.g., trainings provided, loans made). The term "outcome" refers to a change in the well being of the client, community, or environment (e.g., improvement in business skills, increase in household assets).

STANDARD

1B. THE INSTITUTION COLLECTS, REPORTS, AND ENSURES THE ACCURACY OF CLIENT-LEVEL DATA THAT ARE SPECIFIC TO THE INSTITUTION'S SOCIAL GOALS

Essential Practices

1. The institution collects data for each of its social goals and the MIX social performance data.

2. The institution has protocols for the collection, quality control, analysis, and reporting of social performance data.

3. The institution ensures the quality of the data collected by validating its data and training its employees on data collection and entry.

4. The institution's management information system disaggregates data by gender and other client characteristics.

5. If the institution states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool.

6. The institution discloses social performance information, including the MIX social performance data.

Dimension 2.

ENSURE BOARD, MANAGEMENT, AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

2A. Members of the board of directors hold the institution accountable to its mission and social goals.

2B. Senior management oversees implementation of the institution's strategy for achieving its social goals.

2C. Employees are recruited, evaluated, and recognized based on both social and financial performance criteria.

STANDARD

2A. MEMBERS OF THE BOARD OF DIRECTORS HOLD THE INSTITUTION ACCOUNTABLE TO ITS MISSION AND SOCIAL GOALS

Essential Practices

1. The institution provides board members with an orientation on the social mission and goals and the board's responsibilities related to the social performance management of the institution.

2. The board reviews social performance data, including: mission compliance, performance results, human resource policy, social performance related risks, client protection practices, growth, and profit allocation.

3. The board uses social performance data to provide strategic direction, taking into account both social and financial goals.

4. The board incorporates social performance management criteria into its performance evaluation of the CEO/Managing Director.

5. The board has a documented strategy to prevent institutional mission drift during changes in ownership structure and/or legal form.

STANDARD

2B. SENIOR MANAGEMENT OVERSEES IMPLEMENTATION OF THE INSTITUTION'S STRATEGY FOR ACHIEVING ITS SOCIAL GOALS

Essential Practices

1. Senior management integrates the institution's social performance goals into business planning.

2. The institutional culture raises awareness and concern about fair and responsible treatment of clients. (Client Protection standard 5.1)

3. Senior management analyzes social performance data to compare the institution's actual performance against its stated social targets.

4. Senior management analyzes and addresses social performance-related risks.

5. The CEO/Managing Director holds senior managers accountable for making progress toward the institution's social goals.

STANDARD

2C. EMPLOYEES ARE RECRUITED, EVALUATED, AND RECOGNIZED BASED ON BOTH SOCIAL AND FINANCIAL PERFORMANCE CRITERIA

Essential Practices

1. Employee job candidates are screened and hired for their commitment to the institution's social goals, and their ability to carry out social performance related job responsibilities.

2. The institution provides training and evaluates employees on both social performance and financial performance responsibilities related to their position.

3. The institution implements policies to promote ethics and prevent fraud. (Client Protection standard 5.4)

4. The institution incentivizes quality loans.[2] (Client Protection standard 2.2)

[2] A "quality loan" is a loan whose amount and terms are aligned with the client's needs and capacity to repay.

Dimension 3.

DESIGN PRODUCTS, SERVICES, DELIVERY MODELS AND CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

3A. The institution understands the needs and preferences of different types of clients.

3B. The institution's products, services, delivery models and channels are designed to benefit clients, in line with the institution's social goals.

STANDARD

3A. THE INSTITUTION UNDERSTANDS THE NEEDS AND PREFERENCES OF DIFFERENT TYPES OF CLIENTS

Essential Practices

1. The institution seeks client feedback for product design and delivery. (Client Protection standard 1.2)

2. The institution analyzes client satisfaction by client characteristic.

3. The institution monitors the client retention rate by client characteristic and understands the reasons clients exit the institution.

STANDARD **3B.** THE INSTITUTION'S PRODUCTS, SERVICES, DELIVERY MODELS AND CHANNELS ARE DESIGNED TO BENEFIT CLIENTS, IN LINE WITH THE INSTITUTION'S SOCIAL GOALS

Essential Practices

1. The institution designs products that are appropriate to client needs and do no harm. (Client Protection standard 1.1)

2. The institution uses its understanding of client needs and preferences to reduce the barriers to financial inclusion faced by target clients.

3. The institution offers timely access to products and services that allow clients to reduce their risk and cope with common emergencies.

4. The institution creates benefits for clients by enabling them to invest in economic opportunities and address anticipated household needs.

5. The institution does not use aggressive sales techniques. (Client Protection standard 1.3)

4A. Prevention of Over-indebtedness

4B. Transparency

4C. Fair and Respectful Treatment of Clients

4D. Privacy of Client Data

4E. Mechanisms for Complaint Resolution

Dimension 4.

TREAT CLIENTS RESPONSIBLY

STANDARD 4A. PREVENTION OF OVER-INDEBTEDNESS

Essential Practices

1. The institution conducts appropriate client repayment capacity analysis before disbursing a loan. (Client Protection standard 2.1)

2. The institution uses credit bureau and competitor data, when feasible in the local context. (Client Protection standard 2.3)

3. Senior management and the board are aware of and concerned about the risk of over-indebtedness. (Client Protection standard 2.4)

4. The institution's internal audit department monitors that policies to prevent over-indebtedness are applied. (Client Protection standard 2.5).

5. The institution avoids dangerous commercial practices. (Client Protection standard 2.6)

STANDARD 4B. TRANSPARENCY

Essential Practices

1. The institution fully discloses cost and non-cost information. (Client Protection standard 3.1)
2. The institution communicates proactively with clients in a way that clients can easily understand. (Client protection standard 3.2).
3. The institution uses a variety of disclosure mechanisms. (Client protection standard 3.3)
4. The institution leaves adequate time for client review and discloses information at multiple times. (Client protection standard 3.4)
5. The institution provides accurate and timely account information (Client protection standard 3.5)

STANDARD 4C. FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Essential Practice

1. The institution has defined in specific detail what it considers to be appropriate debt collection practices. (Client Protection standard 5.2)

2. The institution's HR policies on recruitment and training are aligned around fair and responsible treatment of clients. (Client Protection standard 5.3)

3. In selection and treatment of clients, the institution does not discriminate inappropriately against certain categories of clients. (Client Protection standard 5.5)

4. In-house and third party collections staff are expected to follow the same practices as the institution's staff. (Client Protection standard 5.6)

5. The institution informs clients of their rights. (Client Protection standard 5.7)

STANDARD 4D. PRIVACY OF CLIENT DATA

Essential Practices

1. The institution has a privacy policy and appropriate technology systems (Client Protection standard 6.1).

2. The institution informs clients about when and how their data is shared and gets their consent (Client Protection standard 6.2).

STANDARD 4E. MECHANISMS FOR COMPLAINT RESOLUTION

Essential Practices

1. The institution's clients are aware of how to submit complaints (Client Protection standard 7.1).
2. The institution's employees are trained to handle complaints (Client Protection standard 7.2).
3. The institution's complaints resolution system is active and effective (Client Protection standard 7.3).
4. The institution uses client feedback to improve practices and products (Client Protection standard 7.4).

Dimension 5.
TREAT EMPLOYEES RESPONSIBLY

5A. The institution follows a written Human Resources policy that protects employees and creates a supportive working environment.

5B. The institution communicates to all employees the terms of their employment and provides training for essential job functions.

5C. The institution monitors employee satisfaction and turnover.

STANDARD 5A. THE INSTITUTION FOLLOWS A WRITTEN HUMAN RESOURCES POLICY THAT PROTECTS EMPLOYEES AND CREATES A SUPPORTIVE WORKING ENVIRONMENT

Essential Practices

1. A written Human Resources policy is available to all employees, complies with national law, and explains employees' rights.
2. Employee compensation levels constitute a living wage for employees.
3. The institution accepts and responds to employee grievances through a formal and confidential grievance system.
4. The institution neither employs nor benefits from forced or compulsory labor or illegal child labor.
5. The institution assesses employees' health and safety risks and takes steps to mitigate them.
6. The institution documents, reports, and investigates all occupational accidents, injuries or diseases.

STANDARD

5B. THE INSTITUTION COMMUNICATES TO ALL EMPLOYEES THE TERMS OF THEIR EMPLOYMENT AND PROVIDES TRAINING FOR ESSENTIAL JOB FUNCTIONS

Essential Practices

1. Employees receive a written job description and employment contract.

2. Employees receive job-specific training and/or skill development.

3. Each employee understands how his/her performance will be evaluated and rewarded by the institution.

STANDARD

5C. THE INSTITUTION MONITORS EMPLOYEE SATISFACTION AND TURNOVER

Essential Practices

1. The institution analyzes employee satisfaction.
2. The institution monitors the rate of employee turnover and understands the reasons for employee exit.
3. The institution takes action to correct institutional problems leading to employee turnover and dissatisfaction.

Dimension 6.

BALANCE FINANCIAL AND SOCIAL PERFORMANCE

6A. The institution sets and monitors growth rates that promote both financial sustainability and client well-being.

6B. Equity investors, lenders, board and management are aligned on the institution's double bottom line and implement an appropriate financial structure in its mix of sources, terms, and desired returns.

6C. Pursuit of profits does not undermine the long-term sustainability of the institution or client well-being.

6D. The institution offers compensation to senior managers that is appropriate to a double bottom line institution.

STANDARD

6A. THE INSTITUTION SETS AND MONITORS GROWTH RATES THAT PROMOTE BOTH FINANCIAL SUSTAINABILITY AND CLIENT WELL-BEING

Essential Practices

1. The institution establishes a policy on sustainable target growth rates, approved by the board, for all branches/regions and all product types, considering the institution's growth capacity and the markets being targeted.

2. The institution analyzes growth rates and market saturation to assess whether growth policies ensure both financial sustainability and client well-being.

3. The institution monitors whether its internal capacity is keeping pace with institutional growth in number of clients and amount of loans and deposits, and enhances that capacity as needed.

STANDARD

6B. EQUITY INVESTORS, LENDERS, BOARD AND MANAGEMENT ARE ALIGNED ON THE INSTITUTION'S DOUBLE BOTTOM LINE AND IMPLEMENT AN APPROPRIATE FINANCIAL STRUCTURE IN ITS MIX OF SOURCES, TERMS, AND DESIRED RETURNS

Essential Practices

1. The institution has clear policies, consistent with its social goals, on its desired level of returns and on how those returns will be used.

2. The institution engages with funders whose expectations for financial returns, timeframe and exit strategies are aligned with the institution's social goals and stage of development.

3. When deciding on funding sources, the institution considers how cost of capital is passed on to the client.

4. The institution minimizes financial risk as it relates to its obligations to clients, such as savings and cash collateral.

5. The institution has a transparent financial structure, as reflected in its annual audited financial statements that incorporate any off-balance sheet sources of funding into leverage ratios.

STANDARD

6C. PURSUIT OF PROFITS DOES NOT UNDERMINE THE LONG-TERM SUSTAINABILITY OF THE INSTITUTION OR CLIENT WELL-BEING

Essential Practices

1. Products and services offer value to the client for the price.
2. The institution offers market-based, non-discriminatory pricing. (Client Protection standard 4.1)
3. The institution has efficiency ratios aligned with peers. (Client Protection standard 4.2)
4. The institution does not charge excessive fees. (Client Protection standard 4.3)
5. The board monitors whether the institution's pricing levels are consistent with the institution's policies on returns.
6. The institution establishes a field-officer-to-client ratio that promotes high service quality for clients.

STANDARD

6D. THE INSTITUTION OFFERS COMPENSATION TO SENIOR MANAGERS THAT IS APPROPRIATE TO A DOUBLE BOTTOM LINE INSTITUTION

Essential Practices

1. The board ensures that compensation of the CEO/Managing Director and other senior staff is in line with the institution's social goals.

2. If senior management compensation is in part incentive-based, the incentives take into account the evaluation of the manager's social and financial performance.

3. Upon request, the institution transparently discloses compensation to regulators, auditors, raters, donors, lenders, and investors.

4. The institution calculates the difference between the average compensation of its top level executives and its field employees, and analyzes whether this spread is consistent with the institution's mission.

The Social Performance Task Force (SPTF) consists of over 1,600 members from all over the world and every microfinance stakeholder group: practitioners, donors and investors (multilateral, bilateral, and private), global, regional, and national networks and associations, technical assistance providers, rating agencies, academics and others. SPTF engages with microfinance stakeholders to develop, disseminate and promote standards and good practices for social performance management and reporting. The vision of SPTF is that social performance management (SPM) is standard business practice and considered fundamental to achieving the social promise of microfinance.

For more information, please visit:

www.sptf.info

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