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MENTOR GUIDE

Mentoring Social Performance Management:

Guidelines for mentors supporting financial institutions to analyse, prioritize, and ensure implementation of social performance management

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CERISE
www.cerise-spi4.org

SocialPerformance TASK FORCE
www.sptf.info

Terrafina Microfinance
www.icco-international.com/int/about-us/programs/icco-terrafina-microfinance/

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Foreword

Oikocredit is very pleased to be publishing *Mentoring Social Performance Management*, a 'hands-on' guide in a field of growing importance for social investors and development finance institutions.

Working with our microfinance partner organizations to improve their social performance management (SPM) is central to Oikocredit's mission. Our triple bottom line strategy means that we strive to achieve social as well as financial benefits for clients while respecting our planet's environmental limits. SPM mentoring is a practical expression of this approach and of our 'finance plus' commitment to support partners' social as well as financial performance as a means of empowering low-income people.

We launched our SPM mentoring programme in 2010. The microfinance knowledge exchange network CERISE and Terrafina Microfinance later also collaborated in the programme.

The programme draws on the Universal Standards for Social Performance Management (the Universal Standards), which provide a detailed framework to help microfinance institutions (MFIs) balance social and financial performance to ensure client benefits and organizational sustainability.

Our experience is that SPM mentoring adds significant value for partners and for clients, both as relatively straightforward 'quick wins' and through longer term practitioner and organizational development. Mentoring helps MFIs improve their outreach, strengthen client protection and provide better quality products and services.

SPM can at first appear overwhelming, with its tools, pathways and terminologies. Mentoring cuts through the complexity with a pragmatic approach, starting with the specific situation of an MFI and its needs and challenges at a particular time, and prioritizing client outcomes above all else. Based on a four-step methodology of introductory workshop, institutional diagnostic, development of a 'quick wins' action plan, and ongoing support for implementation, the programme has yielded positive results for participating MFIs to date.

In writing this Guide, programme leader Anton Simanowitz, together with colleagues Cécile Lapenu, Gabriëlle Athmer, Elikanah N'ganga, Aïda Gueye, Andrea Dominguez, Yolirruth Nuñez, Laura Gärtner, Leah Wardle and Katherine Knotts, have taken SPM mentoring a step further by sharing our past four years' experience with a potentially wide readership. Oikocredit is grateful to all those who have contributed to the programme and to this publication, and to CERISE and Terrafina for their collaboration.

We wish users of this Guide every success in their future endeavours and look forward to a continuing dialogue about SPM practice across our sector.

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1. Introduction to the Mentoring Guide

1.1 The Purpose of the Mentoring Guide

The Mentoring Guide ("the Guide") is a resource for people ("mentors") supporting financial institutions (FIs) in improving their social performance management (SPM). It is based on the experience of mentors who have been trained as part of Oikocredit's SPM Mentoring Programme, which has been implemented in collaboration with CERISE and Terrafina since 2010.[1]

The Guide outlines key elements of the process for supporting FIs in improving their social performance, as well as the supporting role of an external mentor. It is a resource that organisations and individual technical service providers can use to provide mentoring support to their investee, partners, or clients. The Guide focuses on *what* a mentor does rather than the skills needed for effective mentoring. Therefore, this Guide should ideally accompany additional formal training.

Oikocredit, CERISE, and Terrafina have used this mentoring approach in nine countries in East and West Africa, Latin America, and South East Asia. This Guide draws on practical experience from more than 20 organisations. Case study information has been anonymised, and, in some cases, adapted to improve clarity.

Field Example 1. Creating Institutional Success Through SPM Quick Wins in East Africa

In 2010, an FI in Uganda was losing clients, staff, and money. It had a bad reputation as a result of offering products and services poorly aligned with client needs, the bad practices of its external debt collection agency, and high levels of client complaints and default. While participating in Oikocredit's SPM Mentoring Programme, the FI achieved a remarkable turnaround by changing its service design and staff incentives, revising its insurance offering, and introducing new credit and savings products to match clients' needs (including a high-interest savings account for clients wanting to save to buy a plot of land to build a house). The FI also improved its client grievance mechanisms and its approach to debt collection. By 2012, it had become profitable, increased loan client outreach by a third, doubled its loan portfolio, opened nearly 28,000 client savings accounts, and been voted the "most trusted MFI in the country" in a national client survey. *Read the full case study at* ea.oikocredit.coop/case-study-ugafode.

1.2 Social Performance Management and the SPM Mentoring Programme

The Universal Standards for Social Performance Management (the Universal Standards), developed by the Social Performance Task Force, is a comprehensive manual of best practices created by and for people in microfinance as a resource to help FIs achieve their social goals. Technical guidance for implementing the Universal Standards is contained in the Universal Standards Implementation Guide.[2] The Mentoring Guide should be used in conjunction with the Implementation Guide. Mentors can use the Implementation Guide before and during the mentorship process to:

1. Understand the importance of SPM to an FI's operational and product decisions (Chapters 1 and 2 of the Implementation Guide).
2. Advise the FI on specific ways to improve the practices that they have prioritized (Chapter 3 and the Annex).

[1] For more information on the SPM Mentoring Programme and case studies from two participating financial institutions (Ugafode, Uganda) and Kawosa, Tanzania), see: http://www.oikocredit.coop/publications/social-performance-resources

[2] The Guide is also available in Spanish and French at this link: http://sptf.info/spmstandards/universal-standards

The Universal Standards and the accompanying Implementation Guide can be overwhelming in their comprehensiveness. The Universal Standards should be implemented gradually over time, but some FIs struggle to know how to identify priority practices. These FIs need assistance during the process of prioritization and implementation. However, in most markets, there is relatively little capacity to support FIs' efforts to improve their social performance.

Figure 1. The six dimensions of the Universal Standards

Responding to these gaps, Oikocredit—in collaboration with CERISE and Terrafina—developed a mentoring process to build capacity in SPM at the level of FIs and service providers. The mentorship program has two primary goals:

1. To support FIs to identify "quick wins"—improved SPM practices that the FI can implement relatively quickly and cost effectively.
2. To support the FI to successfully implement these quick wins, with the goal of making the FI more effective in serving their target clients and improving outcomes for clients in a way that also allows for strong financial performance.

1.3 The Mentor's Role

Your primary role as a mentor is to guide the FI through the process of identifying their SPM priorities, developing an action plan for quick wins, and recognizing where the FI needs additional technical support. While mentors with significant SPM experience may provide advice on the technical aspects of implementation, the ultimate goal is for FI staff to eventually take total responsibility for managing the FI's social performance by incorporating it into operations and strategy.

Successful mentors will know how to facilitate organizational discussion and action planning, and will be able to relate with Board members, employees from all levels, and clients. Additionally, you should know how to communicate effectively using skills such as interviewing, active listening, empathy, paraphrasing, challenging, and summarizing. You should be able to help the FI identify realistic action plans and think through the necessary steps, including the expected level of effort for different actions. Finally, you should be familiar with both FI strategy and operations, and be able to support the improvement of FI systems (e.g., human resource management, information systems, or performance management).

Expect to be involved with the FI even after the action planning stage. You will meet with the FI on a regular basis to discuss implementation, including unforeseen challenges and possible solutions (see Step 5—*Review of Implementation*). You should not limit these meetings to the CEO and the SPM lead, but include all staff involved in the implementation of the action plan. These visits are different from typical consultancy assignments during which consultants provide specific technical advice or offer training. Client visits are also important in many contexts to get a practical understanding of implementation.

1.4 The Mentoring Process

The mentoring process will depend on the particular needs each FI; expect to be flexible and adapt your approach. However, most mentoring relationships will include the following five steps:

1. **Orientation:** Prior to making a commitment to a mentoring process, it is important that the Board and senior management understand the value of improving their SPM and what the process will involve. This helps secure their buy-in and recognition that the process focuses on the core business and is not an "add-on." Depending on the needs of the FI, the orientation typically introduces the FI to the basics of SPM, and the content and purpose of the Universal Standards, the Client Protection Principles, and the CERISE Social Performance Indicators 4 tool (SPI4). It also outlines the proposed mentorship steps and your own role in the process, allowing time for FI input. At this stage, it is also important to ensure that other key stakeholders, such as investors, are aware of the FI's intention to improve its SPM practices.

Field Example 2. The Importance of the Orientation Step—Example from Latin America

Members of a Latin American co-op benefitted greatly from the orientation meeting. The co-op's mission statement committed them to transparency, service, and the development of members and the wider community. However, the leadership had no knowledge of client protection or SPM, which are integral to achieving their mission. As the mentor went through the orientation with each of the co-op's FI members, they began to understand how SPM was central to achieving their mission and building business. The workshop also built understanding of the Mentorship Programme's purpose and process. With the FI leaders on board, the assessment and implementation phases proceeded smoothly.

2. **Assessment:** In this step, introduce the social goals that are common among financial institutions (see ***Three Commonly Accepted Social Goals, page 12***), as well as the common risks and opportunities for delivering positive social outcomes. Using the questions found in ***Annex 1***, guide the FI through an assessment of the FI's current strengths and opportunities for improvement. The process is a facilitated dialogue, and involves speaking with Board members, senior management, field management, field staff, and clients.
3. **Prioritization of Quick Wins & Action Planning:** Based on the results of the assessment, discuss the FI's opportunities to improve practice. For each potential action, discuss the level of effort required and whether the benefits to the client and the FI justify the level of effort. Identify quick wins that the FI can implement relatively easily and quickly, with limited external support. Assist the FI in integrating these actions into its overall business plan, and assign specific responsibilities to different managers.
4. **Implementation:** Implementation of quick wins should take the FI around 9 to 12 months to complete. Though most mentors only provide limited technical assistance during this phase, you should meet regularly with the FI to gauge progress. Identify problems and guide the FI on possible solutions, including existing resources such as technical assistance and written materials.
5. **Review of Implementation:** Successful mentoring involves starting from a realistic place and supporting the FI in a journey that fits their needs and context. Regular review and reflection is an important part of the process to ensure that as the implementation evolves adjustments can be made.

1.5 Starting with Quick Wins

The mentoring approach aims to identify actions that the FI can implement relatively easily that will lead to tangible benefits. It does not seek to systematically address all aspects of the SPM. Often, these quick wins will address immediate operational challenges facing the FI, but should still focus on creating additional value for clients. Often quick wins are easily identifiable. In some cases, actions are identified during the orientation and can be implemented immediately; one CEO from Tanzania called her staff *during* the workshop to initiate action!

Quick wins are activities that have the following qualities:

- Beneficial to clients
- Fit with the perceived needs and priorities of the FI
- Achievable using the existing financial and human resources of the organisation with minimal need for external assistance
- Achievable within a short time frame (9 to 12 months)
- Beneficial to, or at least not detrimental to financial performance

Box 1. Examples of Quick Wins from FIs Participating in the Mentorship Programme

1. Increasing access for excluded people: defining target clients; understanding their needs and preferences; removing unnecessary barriers that exclude potential clients.
2. Protecting Clients: creating a client complaints mechanism; creating a code of conduct for collections staff; improving loan appraisal process; introducing loan rescheduling for good clients who experience an unforeseen shock.
3. Reducing vulnerability to shocks: developing emergency credit products; Improving access to and use of savings.
4. Increasing income: tailoring loans to match cash flow; Increasing flexibility of financial products to client needs.
5. Creating other social benefits: providing education to increase client financial capability.

Annex 2 gives examples of quick wins from the organisations that have participated in the Oikocredit Mentoring Programme.

Field Example 3. Quick WINS Selected in Latin America

A Latin American Oikocredit partner used the SPI4 to identify its strengths and areas of opportunity. The assessment identified a long list of areas for improvements, but the mentor noticed that two primary issues were highlighted many times by people throughout the organisation. The FI agreed to implement the following two quick wins, as they were relatively simple to implement and in line with their strategic priorities:

1. **Creation of a complaints mechanism**: After many years in the market, the FI had become accustomed to knowing each client personally. However, due to recent growth in geographic areas away from the head office, the FI recognized the need for alternative ways to communicate with clients. A complaints mechanism was seen also by the organisation as an opportunity to understand clients and adapt products to their needs. The FI used the Universal Standards Implementation Guide and materials available from the Smart Campaign to revise and update their complaints mechanism over the course of 12 months.
2. **Analysis of client data:** The FI was collecting client information, but not using it well. Staff collected ample client data during the loan approval process and when clients opened savings accounts, but the FI did not analyze it—for example, the "PAR management team" just looked at the global PAR statistic, but did not segment PAR by client, product type, geographic location, etc. To improve client data use, the IT department undertook a six-month project. Staff analysed client profiles to gain a clearer picture of whom the FI was reaching with products and services. These data helped the FI determine whether they were meeting their financial inclusion objectives. Management also used the data to better adapt its products to clients needs and understand how clients used the products.

The benefits of starting with quick wins. FIs that successfully implement a few quick wins will likely continue to deepen their SPM practices in the future, for the following reasons:

- **Buy-in from management and Board:** SPM can be overwhelming, so it is important to start with some simple and easily-achievable objectives and then build from there. It is easier to add more complex systems on top of something simple than it is to simplify complex systems. With quick wins, the Board and management are less likely to view SPM as a cost centre, and more likely to understand that SPM brings benefits, such as sustainability and improved reputation, and can be implemented slowly over time.
- **Buy-in from operational staff:** By addressing issues that are relatively easy to implement and address felt needs, quick wins help staff see the value of SPM and make it more likely they will start integrating this focus into daily operations and business planning. In the longer term, these daily actions can help fully integrate SPM into strategy and management processes.
- **Value for client:** By focusing on actions that will bring value for the clients, the Mentoring Programme helps organisations take advantage of relatively simple ways to deliver greater value for their clients. This is important so that FIs can deliver on their social mission while also fostering stronger client relationships, which can result in lower exit rates, lower PAR, increased client satisfaction, and similar benefits.

Field Example 4. Example from Latin America: Senior Management Understands the Value of SPM

One mentor working with Latin American FIs reported that immediately after the introductory SPM workshop, a CEO of one FI asked her Client Service Manager about the number of complaints received per month. Upon hearing that it was around six, she decided to set up a monthly breakfast meeting with clients who complained to better understand their perspectives.

Moving beyond quick wins. Some FIs may find it important to move beyond quick wins—either by accomplishing their quick wins and then moving on to a longer-term, more complex action plan, or by *starting* with such an action plan (i.e., skipping the quick win stage). The core premise of the Mentoring Programme is to support FIs to take actions that match the context and priorities of the organisation. If the FI wants to prioritize more substantive investment, then the mentor should support this, but should be clear that the action plan may require additional resources and external support.

2. Steps in the Mentoring Programme Process

This section covers each of the following five steps in the Mentoring Programme process:

1. Orientation
2. Assessment
3. Prioritization of Quick Wins and Action planning
4. Implementation
5. Review of Implementation

For each step, the guide presents the following information:

- **Whom to include**—The FI staff to include in completion of the step
- **What to include**—The SPM content to cover and the actions to take to complete the step
- **Time frame**—The estimated time necessary to complete the step
- **The mentor's role**—How you should expect to support the FI during the step
- **Resources**—The resources available in the industry to help you complete the step

2.1 Step 1: Orientation

Typically, the mentoring process starts with an orientation meeting. While you may have had conversations and email communication to get the FI's commitment, this will be your first in-depth engagement with the FI. Your goal is to build commitment from the FI, in order to set the stage for a successful process.

Whom to include. Request attendance from the CEO, at least one other senior manager, and at least one board member. If the FI has already designated a staff member to SPM initiatives (an "SPM focal point"—see **Step 4**), this person should also attend. You may also invite people who work closely with the FI, especially if they will be involved in the FI's SPM efforts. Such people include investors, national network staff, and local consultants.

During the orientation or shortly afterward, aim to secure a formal commitment from the board for the SPM mentorship process. At FIs where SPM is understood as a business case and integrated into the priorities and work plan of the organisation there is a higher chance of success. Where SPM is seen as a separate project, there are likely to be delays due to competing priorities for time and resources. A Board that understands the value of SPM will be more likely to take an active role in monitoring social performance.

You may decide to provide the orientation to FIs on an individual basis, or to speak to several FIs at the same time. Including several organisations together allows for sharing of experience and cross learning, but may limit openness to critical self-reflection. Working with a single organisation allows for the participation of a greater number of staff, and is useful to help build understanding and buy-in for implementation.

What to include. The content of your orientation will vary. In some situations, the Mentoring Programme follows a general SPM workshop already organized by the sector, and therefore, you would not need to cover a general introduction to SPM. In other cases, participants in the Mentoring Programme have been completely new to SPM, in which case, a much more detailed orientation over a period of time is needed.

The list below presents the content to include in the orientation under ideal circumstances (i.e., sufficient time and interest from the FI). The aim should be to give an overview of SPM and resources rather than being comprehensive. Work to build the FI's understanding of the opportunities they have to reach, protect, and deliver value to its clients.

a. **The SPTF Universal Standards for SPM.** The SPTF has several resources available to help you introduce the Universal Standards to FIs and other audiences. Use these to demonstrate to the FI how they can find additional guidance on SPM. The Universal Standards Manual can help the FI understand every aspect of SPM, while the Universal Standards Implementation Guide provides how-to guidance on SPM implementation. (See "Resources" below).
   Do not try to review the entire list of standards; rather, choose one or two that are most relevant to the FI. You might discuss a particular standard that the institution already follows and one that is not currently practiced. This will emphasize how the FI has some effective practices in place, but needs to improve upon others. Another approach is to select one pressing challenge at the FI (e.g., rising client exit rates) and discuss a few Essential Practices related to the challenge (e.g., Essential Practices 3a.1; 4b.1; and 4b.2—which provide guidance on evaluating client satisfaction, needs, and product preferences). Show how the Universal Standards can help address the FI's challenge.[3]
   As part of the discussion of the Universal Standards, provide a simple introduction[4] to the Client Protection Principles as well as the CERISE SPI4. Demonstrate the relationship[5] between these initiatives and the Universal Standards.
b. **Introduction to Mentoring Programme and Focus on Identifying and Implementing Quick Wins.** Explain your role in the mentoring process, as well as the practical, solutions-based approach of identifying quick wins. Summarise the three common social goals for social FIs—outreach, client protection, and benefits for clients (***see Three Commonly Accepted Social Goals, page 12***). Highlight one or two examples of quick wins to "make the case" (see **Annex 2 for examples**). For each example, discuss why it qualifies as a quick win (immediate benefits, short time frame, etc.), which of the three types of social goals it addresses, and what value it created for the institution and clients.
c. **Overview of implementation process and commitment required.** Provide an overview of the remaining four steps and discuss the FI's desired level of commitment in terms of people, time, and money. Ensure that there is a senior member of the management team with overall responsibility for leading the process, and that the FI thinks about how the project implementation will integrate with the business or strategic plan. If the organisation has a person with designated responsibility for SPM who is part of the management team, it is likely that they will take the lead; if they are not senior then they should take a logistical/support role. Do not underestimate the importance of clear communication with the FI about each party's roles and responsibilities, including when contracts need to be signed, payments made, and other logistics. Several mentors have experienced slow-downs in the process due to logistical delays.
d. **Goal Identification.** The last stage of the orientation is for the FI to reflect on the issues raised in the introductory workshop and identify their current strengths and opportunities for improvement. This process involves thinking about the FI's clients in relation to the three goals (see ***Three Commonly Accepted Social Goals, page 12***) and identifying where there may be opportunities for changes that would make a significant difference. This process can take place as a last step in the introductory workshop, or as a separate activity. Where the workshop is conducted with a single FI, this process can involve group work with different levels of staff, leading to useful discussions of differences. In a workshop with several organisations, it is conducted as a small group activity with the FI staff.

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[3] For more information, see the Universal Standards Implementation Guide, page 15 (English version).

[4] Top resource to use: The Smart Campaign Client Protection Principles Training Series- http://www.smartcampaign.org/tools-a-resources/534-2010-11-23-19-32-25

[5] Top resource to use: The Universal Standards Implementation Guide- http://sptf.info/spmstandards/universal-standards See page 108 (English version) for a discussion of the relationship between the Universal Standards and the Client Protection Principles. See page 17 for a discussion of how the Universal Standards are used in the SPI4.

Field Example 5. The Importance of the Goal Identification Step—An Example from Latin America

During the second day of the orientation workshop (held for a single organisation), the mentor split the staff into three sub-groups—one group for each social goal (financial inclusion, client protection, and creating benefits for clients—see *Three Commonly Accepted Social Goals, page 12*). Each group discussed and reported on how they were currently performing on these areas, and how they thought they could improve in the future. The staff realised that they were doing substantial work in terms of financial inclusion by reaching remote rural areas and small farmers, but could improve their processes for getting feedback from their clients to ensure continuous satisfaction with services, and adaptation when reaching new areas.

Time frame. The amount of time needed for this step depends on several factors. In cases where the FI already has a fundamental understanding of SPM, whether through trainings or practice, it is most appropriate to organise a two-day orientation. When working with FIs with very little understanding or experience with SPM, mentors have found it useful to conduct a series of orientation activities (short meetings and training webinars), aimed at building an understanding of SPM and the mentoring process so that FI senior staff and Board members were prepared to make the commitment to then attend a two-day introductory workshop.

The mentor's role. Your role during this step is to lead orientation activities that clarify the main concepts of SPM and the resources available for learning. You should also aim to help the FI's management see the relevance and value of SPM, and in particular, the value of implementing quick wins (see Box 2). Emphasise how the quick wins can swiftly deliver positive outcomes for clients because improved SPM practices will help the FI address its performance challenges and deliver on other objectives such as financial sustainability and growth.

Box 2. Making the Case for SPM

Managing social performance allows an institution to understand how it is affecting clients and how to provide products and services that clients value. SPM allows the institution to take its social goals into account in concrete ways and in real business situations, rather than making financial decisions without understanding the social consequences. This balanced approach to management benefits both the institution (e.g., client loyalty/retention) and the client (e.g., appropriate products). Finally, management of social goals also allows the institution to demonstrate client-level results to internal stakeholders (such as clients and employees) and external stakeholders (such as investors) using real data, rather than anecdotes.

See page 9 of the Universal Standards Implementation Guide for additional ideas.

Resources. The following resources can help you to complete this step:

- Communications materials for the Universal Standards. In particular, the Manual for Financial Institutions and the presentation, Presenting the Universal Standards to Your MFI Members.
- The Smart Campaign's Client Protection Principles Training Series. In particular, the Introduction to the Smart Campaign and the Principles of Client Protection.
- The Universal Standards Implementation Guide. In particular, pages 9 (Making the Case for SPM); 10 (overview of the Universal Standards); 15 (Introduce the Universal Standards); and 71 (Orient the Board to Your Social Mission).
- Resources for helping the Board understand their role in SPM can be found in the SPTF Resource Center, particularly those found under Standard 2a.

2.2 Step 2: Assessment

The assessment is a facilitated dialogue between the mentor and the FI Board, senior management, field management, field staff, and clients. Your objective is to help identify the FI's SPM strengths and opportunities for improvement. The assessment will reveal practices that the FI wants to improve, which will allow you and the FI to select a few quick wins and create an action plan.

Whom to include. In order to capture an accurate picture of the FI's current practice it is necessary to talk with people at each level of the organisation. In addition to senior management, identify operational managers and front-line staff who represent a range of experience and responsibilities. In addition identity a sample of clients that will give a picture of the different operating environments and products and services.

What to include. Use the assessment framework found in **Annex 1**. The assessment does not aim to be a comprehensive assessment of all of the essential practices in SPM. It should lead directly to a set of actions that the institution wants to prioritise. Some mentors may wish for more structure for the assessment process or to identify quick wins as part of a more comprehensive assessment of the FI's practices. **In this case, the SPI4 is the right tool to use (see Annex 5).**

Three Commonly Accepted Social Goals. The Universal Standards define three types of commonly accepted social goals that all social FIs should work toward. Each of these is discussed in detail in **Annex 1**. **The assessment examines the FI's practices as they relate to the three social goals.** For each goal, you will help the FI assess how well it is achieving the goal, what barriers prevent the institution from achieveing the goal, and how the FI can overcome these barriers.

1. **Increasing access for excluded people**. The actions should reduce the barriers to financial inclusion faced by target clients.
2. **Protecting clients.** The actions should increase the FIs ability to observe the Client Protection Principles.
3. **Creating benefits for clients:**
   a. **Reducing vulnerability to shocks**. The actions should increase timely access to products and services that allow clients to reduce their risk and cope with common emergencies, or support clients in managing risk and coping with shocks.
   b. **Increasing income**. The actions should enable clients to invest in economic opportunities and address anticipated household needs (e.g., food, clothing, education) and life cycle needs (e.g., births, marriage, old age).
   c. **Creating other social benefits**. The actions should empower clients and communities (e.g., financial education, community organizing).

Three Phases to the Assessment. The assessment can be divided into the following three phases:
1. Preparation for visit (off-site)
2. Assessment visit (on-site)
3. Analysis and debrief (off- and on-site)

Phase 1: Preparation for Visit. Several weeks before the assessment visit, request documents and set out the logistics for the visit.

Documents to review: In advance of the on-site assessment visit, request and review the following documents. Your goal is to become familiar with the institution's social purpose, their products and services, and their target clients.

- Strategic or business plans: Understand the FI's goals and problem areas, as well as their plans for the future.
- Financial and social data, such as investor due-diligence reports, annual reports, financial statements, SPM reports, etc.: Understand the type of data the FI currently tracks, as well as their financial health and social outcomes.
- External assessments, such as social rating, social audit (e.g., SPI4), impact studies: Understand the FI's SPM systems.
- Additional background information, such as operations manuals, client protection policies and procedures, internal audit protocols, HRM manual, and market research reports: Understand more about the FI's operations.

Logistical Preparations for the Visit: In advance of the visit, agree with the FI on the following logistics:

- Discussions with CEO/Board to agree on the objectives and deliverables for the assessment and to secure institutional commitment to implementation.
- Request times to meet with the following people (around one hour with each person):
  - CEO, COO, and other senior managers, such as the heads of HR and Internal Audit
  - At least one Board member
  - At least one zonal/regional manager and at least one branch manager
  - A group of field officers/loan officers
  - At least one group of clients

In this phase, prepare interview questions for each person listed above. For guidance, see the SPI4 Control List in the SPI4 online guide, as well as the question suggestions listed in **Annex 1**.

Phase 2: Assessment Visit. During the on-site assessment, you will meet with different staff members and clients. The approximate structure, focus, and timing is set out below:

Day 1: Head office

Talk to key managers and Board members

- Meet with senior management and operations management to brief them on the assessment process and purpose and to get a general orientation to the organisation. Seek to understand their "theory of change"—the outcomes that they seek to deliver and what they do that will lead to these. Ask the CEO or SPM focal point to present strengths and weaknesses identified in the 'goal identification' step of the introductory workshop (see page 10). Your goal is to understand what the organisation seeks to do and how.
- Conduct individual interviews with senior management, using the assessment questions presented in **Annex 1**. Look for the ways in which what you hear and see fits with the FI's theory of change and how it differs. Ask follow-up questions that explore the gaps between intention and practice, and how current practice effects clients. Try to explore the significance of what you observe in terms of the experience for clients and the impact on the way the FI operates.
- Select clients to talk to during the field visit. Request to meet with clients from different product portfolios (e.g., individual and group credit), and with different socioeconomic profiles (e.g., poor clients and less-poor clients).
- Request any missing documents that the FI did not make available during the preparation phase.
- Review logistics for the field visit on Day 2.

Day 2: Field visit

In the field, speak with staff and clients to understand quality of product/service delivery, interactions between the FI and clients, and how policies and procedures play out in practice. In particular:

- Use appropriate interview techniques (focus group discussions, individual semi-structured interviews with clients, and exiting clients) to understand how clients use the FI's services, their experience with the products, services, and staff, and ideas for improving the FI's products and delivery.
- Observe field operations to assess quality of work and consistency with operational guidance, including: group meetings, interaction between staff and clients and amongst clients, information available to clients at branch office, and any other specific activities, such as loan appraisal, that it may be possible to observe.
- Conduct Interviews and focus group discussions with field officers and managers, asking the questions listed in **Annex 1.**

Day 3: Head office

- Meet with individual senior managers, as needed, to ask follow-up questions based on field observations or to meet with any managers who were not available on Day 1.
- Begin preparing analysis.

Phase 3: Analysis, Debrief, and Report. In this phase, you will present to the FI the findings of the assessment.

Analysis. Process your notes from interviews. Compare the FI's practices against their intentions (their theory of change and their specific social goals). Look specifically at how their practices align with the *three commonly accepted social goals* (**see *Three Commonly Accepted Social Goals, page 12*)** highlighting:

- The actions the FI claims to take, in order to deliver on each goal
- Observed differences between theory and practice – highlight any inconsistencies
- Reported differences in implementation between different staff/stakeholders
- Practices that are effective in achieving the goals
- Practices that do not contribute to achieving the goals
- Specific suggestions for improvements

Debrief Meeting. Conduct a two- to three-hour meeting for managers and any interested Board members. Present a summary of your interviews and observations, reflect back what you have seen and heard; discuss and explore these issues, and identify key opportunities to improve practice. This time should not be used to point out everything that the FI is doing poorly, rather it is a time for dialogue that deepens the FI's understanding of their SPM strengths, as well as opportunites for improvement. FI managers should understand that these are your initial impressions, not a judgement of their weaknesses.

If you live geographically near the FI, you may wish to make the presentation in the week following the visit, and certainly within two weeks so that the experience is fresh. If you are based far from the FI, conduct the debrief meeting either on day 5 or on the afternoon of day 4.

Report. Prepare a written report for the FI based on the information collected during the assessment visit and in the debrief meeting. This should be completed within one week of the assessment visit **using the report template presented in Annex 4.** The report covers:

- Key SPM strengths and opportunities for each of the three commonly accepted social goals (**see Three Commonly Accepted Social Goals, page 12).**
- Possible strategies to address opportunities, recognising the current priorities and capacity of the organisation
- A list of potential quick wins from the longer list of opportunities.

The mentor's role. Your role during this step is to lead the assessment process. You are not there to make judgements, but to stimulate ideas and discussion among the FI Board and management team, so that these people can identify quick wins. The role of the mentor is to gather information about the theory and practice of the organisation, and to use this to highlight apparent strengths and opportunities, and to facilitate discussion within the FI.

Resources The following resources can help you to complete this step:

- The Universal Standards Implementation Guide, Chapter 1. In particular, Step 2 (Assemble a Team- page 16) and Step 3 (Evaluate the Institution's Current Practices—page 17).
- CERISE SPI4, "Conduct an audit" page, particularly the section "prepare your assessment": http://www.cerise-spi4.org/#/conduct-an-audit/ Even if you are not using the SPI4 as the evaluation tool, this page still provides valuable suggestions on the desk review process for understanding the FI's operations and SPM practices.

2.3 Step 3: Prioritization of Quick Wins and Action Planning

The assessment helps to identify opportunities or gaps that the FI can address. The next step is to identify quick wins from among these opportunities, and to develop an action plan for achieving these quick wins.

Whom to include. The FI's senior management—including at least the CEO and key departmental heads that will be involved in the implementation, should develop the action plan. Your role is to facilitate a discussion that starts with the organizational priorities and identifies actions that are feasible and will deliver tangible benefits.

What to include. The action planning process includes prioritizing potential quick wins and developing an action plan to implement the selected quick wins.

Prioritize possible activities for the action plan. While the assessment will likely reveal many opportunities to improve practice, your goal is to guide the FI toward a few tangible quick wins. Examine the assessment results and create a report—a recommended list of activities that seem to carry significant value for clients and the FI (see **Annex 4** for an example report). You will use this list to start the activity planning process with the FI.

As you prepare to discuss your report with the FI, prepare both the long list of potential activities, as well as a shorter list of suggested activities. Through your discussion, the FI should select just a few action items for their action plan.

Discuss each opportunity with the FI, asking at least the following three questions to determine the relevance and feasibility of each action:

- Does the action address a current organizational challenge? The action should address specific operational challenges uncovered in Step 2—Assessment. This ensures that the SPM plan is relevant and gets the buy-in of staff at all levels of the organisation.
- Does the action build on existing practices? Most FIs already have many good practices in place. Focus on building from these practices. For example, a credit product might be significantly improved through small adjustments in the flexibility of the repayment schedule, such as adapting agricultural loans to harvest cycles.
- Does the action take into account the FI's other priorities? The action should fit into the FI's overall strategic objectives, otherwise, there is a risk that the FI staff will find it irrelevant.

Identify Quick Wins. The next step is to identify which of the opportunities qualifies as a quick win (see definition on page 7). To do this, consider the following factors:

1. **Value to Clients**—How an action will benefit clients
2. **Value to the Institution**—How an action will benefit the institution (direct performance benefits, such as improved staff morale; and longer-term benefits resulting from benefits for clients, such as improved client retention)
3. **Effort required**—Time and resources required (human and financial); Level of complexity; Ease of measuring the progress of an action; and Likelihood of success

Try to assign each of the activities to one of the categories depicted in **Figure 2**. The categories shown in green are the most desirable quick wins, as they require low effort but create medium or high value for clients and/or the institution.

Figure 2. Identify Quick Wins by Their Value and Ease of Implementation

High level of effort	Low value High effort	Medium value High effort	High value High effort
	Low value Medium effort	Medium value Medium effort	High value Medium effort
Low level of effort	Low value Low effort	Medium value Low effort	High value Low effort
	Low value for the clients or FI		High value for the clients or FI

The general rule is that low value or high effort activities should not be addressed in the first phase of an SPM intervention. Later, the FI may decide to select an activity that requires high effort. In these cases, ensure that the benefit to clients and the institution is also high. For example, the FI may decide to create a client complaints phone line to replace their branch suggestion boxes. Though the start-up effort and costs may be high, this activity will likely increase client satisfaction, create greater field officer accountability, and provide management with information for making operational or product improvements. The two examples in **Box 3** show how to use the chart in **Figure 1** to identify quick wins.

Box 3. Identify Quick Wins by Their Value and Ease of Implementation

Example 1—An opportunity that qualifies as a quick win

Example opportunity: FI requires women to submit a land title as collateral for a loan. Many women are excluded from credit because they do not have access to the family's land title. The FI could develop alternative collateral requirements.

Level of effort: *Low to medium.* Relatively little time and money are required to research alternative forms of collateral, change the policy, and train staff on the new collateral policy. Staff training on the new policy can take place during existing staff meetings/trainings. The FI can disseminate the new policy to clients using existing communication and marketing methods.

Value for clients: *High*. Very few women are currently able to satisfy this requirement. A change in policy would enable access for many more women.

Value for FI: *High*. The change greatly increases the market potential for the FI, as loans would be accessible to many more women.

Box 3. Identify Quick Wins by Their Value and Ease of Implementation

Example 2—An opportunity that does not qualify as a quick win

Example opportunity: FI does not currently offer savings products that would enable their clients to reduce their vulnerability to future economic shocks. The FI could develop a voluntary savings product.
Level of effort: *High.* New product development requires extensive market research, product testing, modification, and roll out. The new product may be subject to legal/regulatory requirements that the FI must satisfy.
Value for clients: *High*. Very few clients have a safe and reliable place to save their money and are therefore vulnerable to both future economic shocks and theft of their savings.
Value for FI: *High.* The new product may attract new clients, increase client loyalty, reduces PAR due to client access to savings in cases of repayment difficulty, and increase the FI's liquidity.

Develop an action plan. After working with the FI to identify the quick wins that the FI wants to prioritize, help management develop an action plan for their completion. Create an action plan that has the following qualities (each quality is discussed in more detail below):

- **Achievable in 9 to 12 months**
- **Realistic for the FI's capacity (time, staff, funds)**
- **Detailed**
- **Integrated into the institution's business or strategic plan**

Create an action plan that is achievable in 9 to 12 months. This time frame fits with the business planning of most organisations, is sufficient time for the sort of projects envisaged as quick wins, and allows the FI to see the immediate benefits of SPM.

To ensure that the action plan is realistic, meet with the manager of each department and discuss how the proposed action plan fits (or does not) with their operational priorities. Also, discuss the department's role in implementing the plan and get commitment from the manager to carry out the activities within the stated time frame; ensure that they are the owners of the activity and feel that the steps and time frame are realistic. Experience has shown that where the action plan can be integrated into the strategic/business plan implementation is much more successful.

Field Example 6. An Oikocredit partner in South America makes their action plan more realistic

Following the assessment, the SPM focal point prepared an action plan without discussion with the management team. This identified a long list of activities with a correspondingly large budget. Management rejected this plan and instead, with guidance from the mentor, set up a committee to manage the implementation process. The prioritized activities and focused on those that the organisation could implement using its own resources.

Create an action plan that is realistic for the FI's capacity. The number of activities selected depends on the capacity of the institution, the complexity of the activity, and the extent to which these align with the existing priorities of the organisation. **Box 4** provides examples of "realistic" and "unrealistic" activities. Generally FIs have selected three to five activities for the action plan. Emphasize to the FI that it is better to start with fewer activities than to overburden staff and create "SPM fatigue."

In some cases, organisations have focused on more complex activities (which are not quick wins) as these have been prioritised as strategically important parts of the business plan. **Annex 2** gives examples of the range of activities selected by FIs in the implementation to date.

Box 4. Examples of Realistic and Unrealistic SPM Activities	
Realistic Level of Effort Over 9-12 months The FI will change the repayment periods for agricultural products from weekly repayment to a more flexible period to allow for seasonal cash flows.	**Unrealistic Level of Effort Over 9-12 months** The FI will develop an agricultural product and target a new client base (currently the FI only targets urban clients).
Realistic Timeframe The FI will study the issues of weak loan appraisal by interviewing clients throughout the first quarter of the year. One month later, the FI will develop a proposed policy to strengthen the loan appraisal process; it will be presented to the Board for comment. Throughout the second quarter, the FI will develop new policies and procedures. Throughout the third quarter, the FI will pilot the new procedures in two branches and evaluate their effectiveness. One month later, the FI will finalize the new policies. Over a two-month period, the FI will train all staff on the new policies.	**Unrealistic Timeframe** The FI will develop new policies and procedures to address clear weaknesses in the loan appraisal processes and will report on the effects of the new policies during the upcoming Board meeting in three months.

Create an action plan that is detailed. Ensure that the action plan is sufficiently detailed so that all employees involved in implementation can understand each step. A detailed plan should include each of the following:

- A breakdown of each activity into its individual steps
- A timeline (by month) for each of the individual steps
- The people directly in charge of each step (they should agree in advance)
- The resources necessary for each step (time and finances)
- The expected outputs for each step
- Any training, awareness raising, or technical assistance required, and the role of mentor in supporting this
- Tools that the FI can use (for example, you can provide page numbers for applicable sections of the Universal Standards Implementation Guide)
- Agreements or authorizations required from FI management/Board
- Process to review and manage the implementation of the action plan

Create an action plan that is integrated with the FI's other priorities. Encourage the FI to integrate the action plan into its overall organizational strategy. This will make it more likely that SPM will be viewed as a real organizational priority and eventually become embedded in the daily operations of the FI. Advise the FI that senior management should be involved in the preparation of the action plan and they should look for every opportunity to include priorities from the organisation's business strategy in the SPM action plan, and vice versa.

If the action plan is not integrated with the business/strategic plan, then it is important to have a project lead within the FI, and for the mentor to take an active role in ensuring that the action plan and its relevance is understood by Board, management, and staff.

Field Example 7. Integration of SPM into the Strategic Plan Example from Africa

Example from East Africa

In 2012, an East African FI participated in an SPM capacity-building program supported by Oikocredit. Initially, they identified many activities to improve social performance, and they set a costly and ambitious action plan.

Little progress was made until the organisation decided to focus on social performance as part of core business and *integrate the action plan into the overall institutional strategic plan.* A draft plan was produced and discussed in an externally facilitated workshop that included all senior management and operations management. Mangers began to see that a customer focus is the foundation for a successful microfinance business.

The plan addresses six strategic areas. Each area includes a strong client focus and concern for social performance. For example the strategic goal 'To grow to serve 32,000 customers' will be achieved through the following activities:

- Develop and review products that increase outreach to micro-entrepreneurs, including product terms such as smaller group loans and loan size limits.
- Improve customer retention through improved complaints management and customer satisfaction.
- Build staff capacity to understand and explain products and services offered. Build staff capacity in sales and promotional activities.
- Strengthen person-to-person marketing to deepen outreach.
- Introduce client incentives to reward loyal customers.

By embedding social performance into the strategic plan, it has become part of each employee's core work responsibilities. Additionally, each member of the management team has a clear responsibility for delivery, with progress regularly reported to the Board.

Example from West Africa

A cooperative union in West Africa integrated the SPM action plan in its 6 months' operational plan and staff training plan, shortly after the elaboration of the SPM action plan, so as to ensure implementation of these plans. Half a year later, this FI integrated SPM in its strategic plan and business plan as part of their annual updates of these systems. The mission statement was revised, and social objectives and social indicators were defined. As preparation for the revision of the strategic plan, the FI ensured clients' contribution to the plan by organizing workshops at the level of each affiliate cooperative to collect (elected board) members' views on a draft revision of the mission and social objectives, and on the strengths and weaknesses of the FI, especially in relation to serving its target group.

The chart below is an **example of an action plan** that contains two quick wins. The example comes from a bank that participated in the Mentorship Programme. The two quick wins are:

1. **Systematize information on clients:** The bank collected a lot of client data during loan applications and savings account openings, but this was not used to inform management decisions. The quick win involved choosing new indicators to add to existing data collected, and creating a process for analysing and reporting the data to management.
2. **Develop client complaints mechanism:** The bank did not have clear procedures for client complaints and did not understand client satisfaction. The quick win involved reviewing existing procedures and implementing an effective complaints mechanism.

Box 5. Summary of Evidence and Recommendations

	Activities	Agenda												Output	Persons in charge	Department
		Year 1														
		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12			
0	0.1 Finalise Action Plan	√												Action plan shared	SP Committee	CEO/ board
1 Systematize information on clients	1.1 Verify available information in MIS		√												SP Champion	IT
	1.2 Discuss indicators, potential results to be analysed, use of information			√											SP Committee	
	1.3 Generate the indicators chosen				√										SP Champion	IT
	1.4 Discuss which indicators (agregation/ventilation) would be useful					√								list of indicators	SP Committee	
	1.5 Adaptation & adjustments						√								SP Champion	IT
	1.6 Draft report based on client information							√	√						SP Committee	IT
	1.7 Annual report with client data									√	√			annual report	SP Committee	CEO/ Fin.
	1.8 Finalisation of a social scorecard for the Board & senior management											√	√	Social DB	SP Committee	CEO/IT
2 Complaints mechanisms	2.1 Analisis of current practices		√												SP Committee	Operations
	2.2 Define a process for complaints procedures		√												SP Committee	
	2.3 Manual for complaints management			√	√	√	√	√						Procedures	SP Committee	Operations
	2.4 Information to clients on the complaint mechanism								√	√	√	√		Clients aware		Marketing
	2.5 Training of the loan officer								√	√				Staff aware		HR
	2.6 Use of results from clients												√	Improve products		Marketing

The mentor's role. Often organisations underestimate the time and budget needed to implement their action plans; the mentor should expect to help the FI set realistic expectations. Use The Universal Standards Implementation Guide to understand what the FI will need to do to achieve the planned activities, and then talk these through with the FI so that realistic time and resource estimates can be made. The aim is to successfully implement a small number of quick wins, so given that most projects involve more work than anticipated, you should encourage the FI not to be too ambitious, and if necessary, plan a second round of activities that start once the first quick wins have been completed.

Time frame. Shortly after submitting the assessment report (see Step 2—*Assessment*), set up a full-day meeting with the management team to review the opportunities highlighted in the report, identify and prioritise quick wins and complete a draft action plan. This step can also be broken into two half days—one half-day to prioritise and select activities for the action plan, and the other half-day to develop a detailed action plan.

Resources. The following resources can help you to complete this step:

- The Universal Standards Implementation Guide**,** Chapter 1, Step 4, "Create an Action Plan"—page 22 (English version).
- CERISE SPI4, "Conduct an audit" page, particularly the sections "Reporting on Results" and "Use Results to Improve Practices!" Even if you are not using the SPI4 as the assessment tool, these sections provide valuable information on how to report assessment findings to the FIs, and example action plans.

2.4 Step 4: Implementation of the Action Plan

Whom to include. The action plan will assign activities to different departments of the FI and departmental heads will therefore lead implementation. This will be coordinated by the SPM focal point. Other staff and Board members may be involved during the process where activities impact their work, or to build understanding and buy-in. The mentor's role is to ensure that staff are coached and supported so as to understand and effectively deliver on their roles.

What to include. Mentors do not provide detailed technical support, but will maintain regular contact and provide advice and support as needed. You should expect to support implementation in at least three ways—1) by meeting periodically with the project lead and departmental heads responsible for implementation; 2) by reviewing progress by talking to staff and clients; 3) by addressing needs for technical assistance through ad hoc input or referrals.

Ensure that the FI manages implementation. It is important that the SPM implementation process is managed, and experience has shown the value of having a member of the management team as an "SPM focal point'"(or "SPM Champion").

The focal point is an employee with the motivation and experience to lead the process of SPM implementation. This person needs to have a good overview of the organisation, and to be sufficiently senior to work with top management and the Board. S/he should provide top management and the Board with regular updates in order to ensure commitment, buy-in, and full integration of the process into the FI's strategy. They can also teach other staff about SPM and make it an institutional priority. Experience has shown mixed results with the use of focal points. In some cases, organisations have found it helpful to have a designated person driving the process, in others; the project became side-lined and lost the focus of most of the management team.

To achieve buy-in and input from a wider cross-section of employees, some organisations have established SPM committees, rather than a single person, to ensure that the responsibility for implementation is shared and coordinated across relevant departments. Where the action plan is integrated into the business plan, the committee is naturally formed of the functional heads. The committee can be responsible for leading other staff in the implementation of the quick wins, and reporting to the Board and management on the progress of implementation

As SPM becomes part of the FI's normal business operations, the need for a special team will slowly diminish. For example, once SPM is integrated into the institution's strategic plan, each department will be clear about their SPM responsibilities, and department heads can manage their own discrete tasks, without the prompting of an SPM Champion or SPM team.

Consider the following people for role the SPM focal point:

- CEO: Since SPM relates to all aspects of the organisation, in some organisations the CEO has taken on the role of focal point. If the CEO is selected initially, s/he should delegate this role quickly thereafter, due to his/her practical time constraints. The CEO should remain a vocal supporter of SPM.
- Operations Manager: Like the CEO, this choice may provide good visibility to SPM and ensure that it is integrated into operations, but again time constraints may be a longer-term issue.
- Human Resources: Early on, the HR department may be well equipped to raise awareness about the importance of client-centered practices, and can promote SPM through HR policies and trainings.
- Head of Audit/Compliance: This staff member's focus on service delivery and on-going interaction with staff and clients may make them a good fit for the role.
- Head of Marketing/Research: This person typically understands the clients' perspective and is aware of the importance of quality products and service delivery. However, it is important to ensure that s/he has real influence within the organisation.

Field Example 8. SPM Focal Points and Committees in West Africa and Latin America

Cooperative in West Africa

In the case of one cooperative in West Africa, SPM committees were formed in each affiliated FI, consisting of some of the elected Board members and staff. These committees engage staff, Board, and clients with the SPM agenda. For example, in those FIs where the client complaint mechanism was piloted, these committees organized awareness-raising activities for clients to advise them on their right to file complaints.

Rural bank in Latin America

A bank in Latin America identified an SPM focal point (the deputy finance director), and this person coordinated the preparation and assessment steps. After the assessment, the organisation decided to set up a SPM Committee as the focal point was not in a position to implement the action plan nor ensure full implementation for other departments. The committee included: the CEO, deputy finance director, HR manager, IT manager, risk manager, operations manager, and marketing manager. The focal point took a coordinating role, organising the meetings and ensuring connections with the different departments/sharing advancement and information.

Key managers work together as committee members in the following ways:

- For collecting and analysing clients´ information the IT manager worked with the risk manager and the marketing manager to identify the indicators that the system should monitor.
- The HR manager developed staff training on the customer complaints mechanism.
- The SP Committee was in regular contact with the mentor and Oikocredit SPM officer to exchange on the specific details on the progress made and/or the ideas they had so, based on that, the mentor could support them with recommendations (the CEO stressed the need for support especially on the setting up the complaints mechanism).
- The SP committee met monthly to monitor progress. A monthly call was then organized between the mentor and SPM focal point.

Meet with the FI management and field staff. Stay in regular contact with the FI by calling or visiting them periodically (a visit every two or three months is usually sufficient). It is important to visit not only the FI headquarters, but also field offices and clients, if possible. This will help you to understand implementation progress at all levels.

During these calls and visits, ask about the progress of implementation based on the action plan. Provide this oversight with the aim to help the FI stay on track; offer accountability and support. In particular, support implementation in the following ways:

- Review the steps in the action plan—ask which the FI has achieved and which remain.
- For the steps the FI has already finished, discuss the results. Are they what the FI anticipated? Has anything changed at the FI that make the remaining steps unachievable? Help the FI adjust the action plan as needed.
- In areas where the FI needs extra support, point out the technical resources (including those listed in this guide and those listed in Annex of the Universal Standards Implementation Guide).
- Discuss with the FI the next steps needed to keep the project on track.

In order to understand the FI's progress and provide support, request one or more of the following meetings each time you call or meet with the institution:

- Meet with managers who are responsible for implementing different parts of the action plan (CEO, SPM focal point and/or SPM committee, other managers)—review progress and discuss specific issues.
- Field visit to see implementation in the field and gather feedback from clients—identify potential constraints/problems.
- Provide workshops/discussions/trainings for the FI on specific issues, as requested.
- Discuss implementation with Board members, as needed.

While most mentors will not provide technical assistance in the traditional sense, you should be prepared to give ad hoc input and point the FI to appropriate guidance resources to address specific issues during implementation. Use the SPTF Universal Standards Implementation Guide as your starting point for providing this assistance.

The Implementation Guide offers the following technical guidance:

- **How to get started with SPM.** In addition to this Mentorship Guide, the Implementation Guide also provides ideas for how to assemble an "SPM team," assess the institution's current SPM practices, create an action plan for improving practice, and regularly reviewing the institution's progress. Content found in Chapter 1.
- **How to use social performance data for decision-making.** Chapter 2 of the Implementation Guide identifies four operational issues that are of concern to all FI's, and it discusses how *data can help managers address these issues*, demonstrating: 1) which data is required, 2) which managers should be involved, and 3) where you can find more information on the issue in the Implementation Guide.
  This chapter is useful for FI's that need help knowing which data to collect and how to use that data for decision making. It covers the most important operational issues, divided into these topic areas: 1) achieving sustainability/profitability responsibly, 2) reaching, retaining, and providing value to your target clients, 3) maintaining adequate standards of client protection, and 4) achieving employee satisfaction and retention.
- **"How-to" guidance for every area of SPM covered in the Universal Standards.** Chapter 3 presents practical, how-to guidance for each of the 19 standards found in the Universal Standards. Field examples highlight how an actual institution is currently implementing SPM. After deciding which quick wins to prioritize, the FI can refer to specific practices in this chapter for ideas on how to implement them.

In addition, the Implementation Guide contains a list of industry resources to address specific SPM practices—this is found in the Annex. The SPTF also maintains an online Resource Center, which contains links to and descriptions of dozens of guides, tools, templates, and articles that FIs can use to understand SPM and improve practice.

Finally, in instances where you identify a need for technical assistance (e.g., to review the staff incentive system, revise an operational manual, or to develop a system to collect client data), your role is to identify a technical assistance provider to whom you can refer the FI. If TA needs are identified early in the process, they can be included in the project budget. Sources for information on TA providers include:

- The SPTF database of technical assistance providers in responsible finance (sptf.info/resources/ta-providers)—a list of professionals who can provide TA in one or more areas of responsible finance, in critical areas such as client protection and SPM.
- Regional and national networks and associations.

Field Example 9. Technical Support to an FI in East Africa

An FI in East Africa prioritised improving client service as a quick win, and identified the need to establish a more effective client complaints mechanism. The mentor accessed Smart Campaign guidance and case study resources and used these to support the FI's design process for the complaints mechanism.

Address lack of progress with implementation. The role of the mentor is perhaps most problematic where the project is not progressing. Lack of progress is usually due to a failure to achieve buy-in from senior management or the Board at the start of a project, or due to competing organizational priorities. If this is the case then it is important for the mentor to identify how the quick wins will support the organisation in delivering on the business plan, or address current operational challenges, and work with the Board or management team to build understanding.

Field Example 10. A Mentor Builds Understanding and Buy-in in East Africa

A small SACCO in East Africa found that their mentor was instrumental in convincing the Board that the SPM project was worth undertaking. The mentor had a previous relationship with the SACCO and was well respected, and therefore, had the trust and attention of the Board. For example, during the General Meeting in December 2012, the mentor was able to describe how the SACCO could change its by-laws in order to expand their outreach. He explained that the by-laws were unnecessarily excluding potential members and holding back growth. Through this discussion, he encouraged the organisation to be open to new ideas and to try out things, even if they might not succeed.

In some cases, real pressures on the CEO may result in their lack of availability for participating in the project, and create delays. In this case, initiate an open discussion with the CEO and explore the options of reallocating of the CEO's SPM-related responsibilities to another management team member, or establishing an SPM committee to spread the workload among several staff.

While you can provide support for some issues negatively affecting implementation, other issues are out of your control. One of the most common reasons for lack of progress in implementation is other organizational priorities that distract focus (such as governance issues, a new product, transformation, or increasing arrears) or loss of key people. In these cases, there may be little you can do.

Similarly, challenges in implementation have been due to wider organizational weaknesses, such as weak management, weak human resource management and/or dissatisfied staff, lack of physical infrastructure, poor business planning, lack of accountability to Board, or interference of Board members in daily management. Often, as you work with the FI on the SPM action plan, other areas of weakness become apparent, for example, in the case of one FI, where the process of trying to integrate SPM into the strategic plan highlighted that the existing plan was not realistic and needed revision. In these cases, you can try some limited strategies (basic project management, organizational development), but this may be beyond your scope of work. These issues highlight the reality that SPM is part of all organizational processes, and it is not possible to improve social performance in isolation from the performance of the FI overall.

If you are working with FIs that have larger organisation issues impeding SPM implementation, you may want to discuss the following talking points:

- SPM must be seen as one part of overall organizational development. How might the SPM quick wins address other challenges? For example, arrears are often linked to client protection and product design issues. SPM may

help address some of the classic organizational challenges. For example, a focus on staff satisfaction leads to more committed staff, which in turn, leads to lower staff turnover and improved quality of work.

- Integrating SPM into the organisation's core business can be an important tool to improve overall organizational performance, and effectiveness. From the Mentorship Programmes already implemented, the most successful organisations have seen SPM as a solution to operational challenges they were facing. They also approached implementation with an open mind. The presence of an effective leader and Board who can implement the project is certainly important, but more important is the FI's openness to learn, to be challenged, to make mistakes, and to improve—in other words, to have a "growth mindset."

Field Example 11. Organizational and Governance Issues Affecting SPM Implementation in West and East Africa

Example 1: A cooperative union participated in the introductory workshop but shortly after, the two largest cooperatives left the union. The union became too small and too unstable to implement the SPM action plan.

Example 2: A cooperative union faced governance problems in several affiliated cooperatives. Key staff was highly interested in SPM, which aided in the implementation of the action plan. However, the union had weak financial performance due to poorly performing affiliated cooperatives. As a result, the union lacked capital to on-lend, which weakened its credibility and influence over its affiliated cooperatives. After several affiliated cooperatives expressed their intention to leave the union (among them, those with debts), the supervisory body in the country came into action and put an interim manager in place. This manager was not interested in the continuation of the SPM action plan. All staff involved with the Mentorship Programme left the union.

Example 3: A member-owned, non-profit MFI demonstrated strong initial buy-in leading to the integration of the SPM action plan into the organisation's operational plan. However, the MFI experienced a financial crisis after a large loan to a farmers' association went bad. The case went to court. Given this context, the MFI lost its interest in implementation of the SPM action plan.

Example 4: A small for-profit MFI had a head office team that consisted of a general manager, operations manager, compliance officer, agriculture officer, and accountant. During the Mentorship Programme, the organisation experienced severe liquidity constraints and three out of the five members of the management team left the organisation. This placed huge demands on the General Manager. This lack of capacity, financial constraints, plus weak Board buy-in severely limited the progress of the SPM action plan.

The mentor's role. While some mentors with SPM experience may play the dual role of mentor and technical assistance provider, most mentors will not be significantly involved with the implementation process. Consider yourself as a support person, rather than a key member of the implementation team.

It is important to avoid a conflict of interests, such as pressuring the FI to use a tool that would result in the direct employment of the mentor, even though the tool may not be in line with the FI's priorities and needs.

Time frame. As discussed previously, the implementation of the FI's action plan should take 9 to 12 months. During this time frame, expect to spend approximately two days per month on this role.

Resources. The following resources can help you to complete this step—each is discussed above.

- The Universal Standards Implementation Guide—see above for the contents of each chapter of the Guide.
- The SPTF database of technical assistance providers in responsible finance
- The SPTF Resource Center

2.5 Step 5: Review of Implementation

Whom to include. You can review the project in much the same way as you assessed the FI—by discussing implementation progress with Board, management, staff, and clients. Alternatively, the FI can review their progress internally—a self-review lead by the management team or SPM focal point.

What to include. At the conclusion of the 9 to 12 months of implementation, guide the FI through a time of reflection on the progress achieved during implementation and discussion of next steps. This step is important because it will help cement the FI's commitment to SPM and sustain the momentum that they built during the implementation phase.

Review with the FI the following elements of the Mentorship Programme:

1. **Achievement of objectives.** For each quick win, review the following:
- Aim of the quick win
- Activities undertaken
- How has the FI modified the action plan along the way?
- What are the results of the activities? If the FI applied the SPI4 at the start of the programme, it can now be used to assess results. Otherwise, the FI can use self reflection to discuss the changes made.

2. **Key challenges encountered and how these were overcome**
- Description of challenges and the actions taken to overcome them (e.g., what was done to get staff buy-in?)
- What was the role of the mentor, and how important does the organisation feel s/he was in the achievement of the project objectives? What specific lessons came from this that can help improve the mentor's effectiveness in the future?

3. **Management and Board perceptions and actions**
- How do they see the value and relevance of the project to the organisation?
- Did the action plan address operational challenges that are important to management and the Board?
- What is the extent to which management and the Board are now discussing SPM issues? Is this a change from before the project?
- Is there any evidence that would show the impact of SPM on the FI's organizational performance?

4. **Field staff perceptions**
- Is field staff aware of the project?
- Have they noticed any changes that have affected them directly? If so, what are their perceptions of the changes?

5. **Outcomes for clients**
- How has the project benefited clients?
- Is there any evidence that demonstrates the benefits?

6. **Other relevant work and information**
- What other relevant activities, studies, or reports have taken place during the period of the project (e.g., social rating, audit, market research, training, technical assistance, etc.) and how have these helped to deepen SPM implementation?

7. **Role and outcomes for capacity building of mentors**

- How well was the mentor able to guide and support the FI?
- At what point(s) was the input of the mentor integral to the success of the project?
- How has the mentor's knowledge changed through this project? Has the mentor's perception of SPM changed through this project?
- How is this reflected in their work outside of the project? How does the mentor conduct his/her work differently as a result of the project?

Time frame. The review can be conducted as a half-day or full-day workshop, or through individual interviews with staff and clients over a number of days. A full follow-up assessment that involves reviewing current practice through discussions with Board, management, field staff and clients would require around five days. Select the depth of the review based on the FI's availability.

The mentor's role. The mentor should guide the FI through the reflection process. The quick wins should be seen as a starting point in an organisation's journey to improve its social performance, therefore, the review and reflection is an important link to next steps.

Annex 1: The Assessment Questions

Use this Annex during Step 2 of the Mentorship Programme—the Assessment step. This guide does not provide an assessment "tool," rather the text below suggests a collaborative approach to uncovering the FI's strengths and opportunities for improvement. *All of the assessment questions are directed toward developing an action plan to improve practice.*

The assessment process is structured around the three commonly accepted social goals:

1. **Increasing financial inclusion**
2. **Protecting clients**
3. **Creating benefits for clients**

For each goal, you will help the FI assess how well it is achieving the goal, what barriers prevent the institution from achieving the goal, and how the FI can overcome these barriers. In order to understand these elements, ask questions such as these:

1. Understand how well the FI is achieving the goal
   - What is the organisation trying to do? What are its strategies for achieving this goal?
   - Are the goal and the strategy understood in the same way by clients, field staff, senior management, and Board?
   - Where are the differences in understanding among various levels of the organisation/staff, and why do they occur?
   - What is the impact of these differences?
   - Looking at the work on the ground, how does this compare to the theory of what the organisation says it is doing?
   - Are there any unintended outcomes of the institution's work (both positive and negative)?

2. Understand what barriers prevent the FI from achieving the goal
   - How do organizational systems support or hinder things from happening?
   - How do staff hiring, training, incentives, and appraisals, as well as the organizational culture and communication, affect the organisation?
   - How do management systems, culture, and messages support or hinder the achieving of the goal?
   - Does management make operational decisions based on how the actions will affect the achievement of the goals of the organisations – both social and financial?
   - What role does the Board play in helping the organisation achieve its goals?

3. Understand how the FI can overcome these barriers
   - What changes can the FI make to the products and services it offers?
   - What changes can the FI make to its systems and processes for delivering its products and services?
   - What changes can the FI make to the training, support, and management of its staff?
   - What changes can the FI make to its information systems and the way in which it uses information?
   - What changes can the FI make to its strategy or key performance indicators?

Questions for Goal 1. Increasing Financial Inclusion

Definition: The FI should take action to reduce the barriers to financial inclusion faced by target clients.

Why this goal is important: The FI should be clear about whom they seek to serve and take active steps to reach their target clients. Even when the FI defines its target client very broadly (e.g., "low income people"), there may be a significant number of people in the population who fit that description who are not clients. While the FI does not need to try to cover every geographic area, they should seek to understand the barriers that potential clients face in becoming clients.

In addition to understanding how current clients use products and services, the FI should identify why non-clients from their target group do not use their services. Most barriers are not intentional on the part of the FI, but can be easily identified through discussions with clients and staff. Your primary questions to explore with the FI are: 1) What prevents someone in the FI's target population (e.g., poor, rural women) from becoming a client? And; 2) How can the FI extend outreach to these people without adversely affecting the FI?

Understanding Exclusion: The exclusion of potential clients can take place for a number of reasons, including the following:

- The eligibility criteria of the FI are not appropriate to the target client: for example, clients must have an existing business, collateral requirements are too high, minimum savings requirements are too high, the minimum loan size is too low or high, illiterate clients are not able to fill in required forms.
- Self-selection processes by groups: Often group members will exclude certain people from joining the group. This may be for positive reasons (e.g., excluding people who are untrustworthy), or may be due to prejudice against certain people.
- Location of service points/meetings limits access to target clients: for example, clients cannot attend meetings at the appointed time, or meetings or bank branches are too far from target clients' homes/businesses.
- Inappropriate products and services: for example, loan disbursement takes too long, repayment schedules are not timed to cash flows, savings products that require fixed regular deposits, health insurance that excludes maternity cover.
- Staff biases: for example, regardless of the FI's policies, staff have a bias against clients with less business experience, or those who are poorer, because they take smaller loans; staff discriminate against clients based on non-financial criteria, such as age or religion.

Discussion with the FI (staff and clients): Ask the stakeholders to consider these common forms of exclusion in order to identify opportunities to expand the FI's outreach. Some barriers may be appropriate for the organisation (e.g., targeting women, setting a minimum savings balance), but it is still important to think about them, in order to identify any barriers that the FI can remove.

- Are there certain groups of potential clients who are not using the FI's services? If so, what are the barriers for access and use for these people, related to:
  - Eligibility criteria
  - Group selection
  - Location of the services
  - Product design
  - Staff biases

Red flags that signal financial exclusion: Be aware of the common problems that may signal exclusion:

- Women excluded by gender-specific factors: for example, high collateral requirements, the location of branches/meetings are not accessible, literacy requirements, field agents are men.
- Poorer or vulnerable clients excluded by product and delivery design: for example, minimum savings balances are too high, the cost of reaching meetings/branches is too high, legal documents and contracts are not easily understood/clients cannot read them.
- Weak systems for segmentation and tracking outreach to target client segments: the FI does not capture information about the profile of clients, and is therefore unable to identify if specific segments are not accessing or using the services.
- Original target clients excluded when the FI adds new target clients: for example, the FI goes "up market" and begins targeting wealthier clients without adequate systems to monitor and ensure outreach to original, poorer target clients.

Find more in the Implementation Guide: See Essential Practices 3b.1 and 3b.2, starting on page 100.

Questions for Goal 2. Client Protection

Definition: The FI should observe the Client Protection Principles.

Why this goal is important: As well as being concerned about whether their services benefit clients, FIs also need to be aware that the way their products are designed and delivered has the potential to cause harm to clients. There are particular risks associated with credit. For example, a client may become overindebted and make unacceptable sacrifices to repay loans, such as taking children out of school or going without food to make their repayments. There are also risks of harm with savings. For example, clients may lose savings if they do not repay their loans on time. Insurance has the potential to be harmful if, for instance, too many exclusion clauses prevent clients from receiving expected payouts.

Understanding Client Protection: The seven Client Protection Principles present standards of care for FIs that want to treat clients well and protect them from the risks associated with financial services. The Smart Campaign Client Protection Certification Standards describe where the microfinance industry sets the bar in terms of client protection. Additionally, The Smart Campaign offers tools to help financial service providers put the Client Protection Principles into practice.

Discussion with the FI (staff and clients): Ask staff to consider the measures they currently take to protect clients' rights and interests. Ask clients to discuss the ways in which their rights and interests are protected/violated.

- How might your products/services/delivery mechanisms and staff behaviour harm clients, even unintentionally?
- What policies, processes, and systems are in place to mitigate the risks of harming clients?

Red flags that signal harm to clients: Be aware of the specific problems that may signal risk of harm to clients:

- The FI automatically increases loan amounts for clients with good repayment history, rather than assessing clients' repayment capacity.
- Loan amount are calculated based on guarantees without assessing capacity to repay.
- The FI has high interest rates relative to peers in the market or relative to profits.
- The FI has "zero tolerance" for late repayment, does not reschedule loans for clients with willingness to repay, and has low PAR (signalling no flexibility for vulnerable clients when things go wrong).
- Staff abuses their power over vulnerable clients (women, illiterate, isolated) and clients do not have access to mechanisms for recourse.

Find more in the Implementation Guide: See Essential Practices:

- 2b.2, on page 81
- 2c.3 and 2c.4, starting on page 87
- 3a.1, starting on page 92
- 3b.1 starting on page 100
- 4a to 4e, starting on page 108
- 6c.2 to 6c.4, starting on page 166

Questions for Goal 3. Creating Benefits for Clients

Definition: The FI should take action to increase timely access to products and services that allow clients to reduce their risk and cope with common emergencies, enable clients to invest in economic opportunities and address anticipated household needs, and empower clients and communities.

Explanation: Often products and services are designed around the needs of the FI rather than clients. For financial services to truly benefit clients, FIs must understand clients' needs/wants and make these the center of product design and delivery decisions.

Understanding benefits for clients: There are at least three ways that FIs can create benefits for clients. Each is discussed below.

1. Reducing vulnerability to shocks**:** All people face unanticipated demands for money due to issues such as ill health, accidents, funerals, natural disasters, and robbery. A reduction in income or income stability also means a decrease in the ability to cope with shocks. Poorer people are also especially vulnerable as they are often physically more exposed, for example, through poor housing or poor diet.

By recognizing the vulnerability of their clients, FIs also can ensure that when things do go wrong clients are supported, for example, by allowing rescheduling of loans for good clients. Yet many FIs design their services with little understanding of the reality of their clients' lives, providing credit that does not fit with cash flows, not providing access to compulsory savings or applying zero-tolerance policies that leave clients with no space to cope when things go wrong.

2. Increasing income: One way to help clients increase their incomes is through investment in a business, agriculture, or productive assets. While FIs commonly provide credit for productive investment, loans are typically designed to be easy to administer, rather than to suit the cash flow needs of clients. Thus, loans are often standardised and inflexible – often with little choice of when a loan is received, the period of a loan, and the repayment schedule.

From a client perspective, credit for investment should be tailored to the cash flow needs of the investment. However, this is often creates complexity for the delivery mechanisms, and therefore, creates a tension between what can be efficiently and effectively provided by the FI and the needs of clients.

Many factors can affect the outcomes of a client's investment. This may include the skills of the client to run a business or farm efficiently, market conditions, etc. Therefore, training, marketing, value chain, or mutual support between group members may have a large impact on the outcomes for clients. While an FI may not have the capacity to provide these additional services or delivery mechanisms, it is useful to consider possible inputs that will contribute towards the overall goal for clients.

Another important way financial services can help clients is to provide ways for clients to better manage their money to meet their day-to-day and lifecycle financial needs. Financial services provide a mechanism for people to manage their money towards anticipated needs. These may be short-term needs such as buying food, paying for household expenses, such as paraffin, electricity, water, clothes, or school fees, or lifecycle expenses, such as weddings, funerals, or births.

Impoverished people have small and irregular incomes; therefore, it is hard to have the "lump sums" needed for these expenditures. Being able to smooth income and expenditure may make the difference between being able to pay for something (such as school fees), or having to take a high cost short-term loan from a money lender. The ability to save in particular, and to a lesser extent access credit or transfer services, can have significant beneficial effect on clients' lives, provided that the financial services can be used to manage finances towards the most pressing needs.

Other services, such as financial education, can also significantly enhance the ability of clients to manage their money towards their anticipated needs. FIs thus need to understand and consider the options to design products, services, delivery models, and channels that enhance their ability to meet anticipated financial needs.

3. Creating other social benefits: Some FIs can use financial services as a platform to provide non-financial services, including a connection to another provider that has beneficial products and services. For example, a product such as water filters, or a partnership whereby the FI provides financial services to help clients access a specific product, or other activities to support clients such as legal services, financial education, or community organising. Whether or not an FI wants to engage in these additional services depends on their priorities and capacity, the value to clients, and the ease with which these additional services can be provided.

Discussion with the FI: Discuss with staff their knowledge of different groups of clients and their wants and needs, including coping with shocks, increasing income, managing for anticipated needs, and other social issues.

- How well do the financial products offered fit with the cash flow requirements for investments and for other expenditures—i.e., is money available in the amounts needed and at the right time, and are loan repayments timed with income?
- What happens when things go wrong? Is the FI flexible in fitting with the changing circumstances of the client for example, through rescheduling or providing emergency finance? Or are there other ways that the FI helps clients cope?
- What are the other constraints that clients face in their lives that may prevent them from effectively using financial services or achieving their goals? What does the FI do to help them address these?

Red flags that signal low benefits for clients: Be aware of the common problems that may signal low benefits for clients:

- High client exit rates
- A single, inflexible credit product (as opposed to multiple and/or flexible products) which is unlikely to fit with cash flow needs of some portion of the clients
- Loans repayment not linked to cash flow of investment or household income
- Savings are not accessible when they are needed (e.g., in cases of emergency)
- Credit life micro-insurance premium of 1% or more of loan that only covers credit risk
- Some services only accessible to a limited numbers of eligible clients
- High growth targets that undermine quality of delivery

Find more in the Implementation Guide: See Standard 3b, starting on page 99.

Annex 2: Examples of Quick Wins for Each of the Three Commonly Accepted Social Goals

Examples for Goal 1. Increasing Financial Inclusion

Field Example 12. Field Example for Goal 1

A for-profit bank in East Africa works to provide "sustainable, gender-sensitive microfinance." It aims for 60% of its clients to be women, but in recent years, this had dropped to 32%. Through Oikocredit's SPM Mentoring Programme, the FI came to see its decline in outreach to women as linked to a move away from group to individual lending and to requiring clients to present land title deeds as collateral. In Africa, women do not generally hold land titles. Men did not want their wives to have economic power and discouraged them from joining groups.

The organisation therefore, reviewed its balance between group and individual lending, explored other collateral that women could use, and systematically tracked its outreach to women. Eighteen months later, the FI's outreach to women had risen to 42% of clients.

Box 6. Examples of actions to address outreach and exclusion

FI Type, Country	Opportunities for Improvement	Quick Wins	Key Results for FI and Clients
NBFI, Kenya	Branches were inaccessible	Established mobile branches and agency centres in rural areas to reach many clients.	Increased portfolio, but also increased costs (client numbers doubled between 2010 and 2013)
Small SACCO, Tanzania	Membership fees excluded poorer people from the co-op	Changed its by-laws to be able to offer small loans (US$30) to groups of poor women without paying membership fees; Asked Board to reverse decision to increase membership fees.	Growth in membership and deposits
Cooperative Union, Senegal	Drifting away from original target group (farmers). No client segmentation, lack of knowledge on client profile	Defined client targeting strategy. Client segmentation and collection of supplementary data. Analysis of client profile, compared client profile to original target group, developed targeting strategy including product development for migrants and youth.	Clarity on client profile and need to adapt targeting strategy; integration of indicators in the MIS to monitor to what extent target clients are reached. Product development for migrants and youth in progress.
Bank, Paraguay	Products not well matched to target client needs.	Better understanding of client profile. Data collected on loans applications and opening of savings account but not analysed, limiting understanding by the Bank of its clientele, its segmentation and related needs and constraints.	Data analysis on client profile and PAR, client profile and demand by product to understand client's needs, preferences and constraints.
Cooperative Union, Senegal	No clear indicators defined to monitor reaching target clients; no clear targets are defined (for MFI and per affiliated cooperative/ branch)	Monitored if target clients are being reached, especially youth and women. Defined indicators, frequency of monitoring, integrated indicators in MIS, defined targets for MFI and per branch; evaluated results on a monthly basis.	Expected result for MFI: client profile better understood; For clients: more effort to include youth/women.

Examples for Goal 2. Client Protection

Field Example 13. Field Example for Goal 2

An FI in Tanzania had a previously reliable client whose business burned down and who was unable to repay her loan. At first the FI, in line with its 'zero-tolerance' policy for late repayments, pressured the client to repay, but with little success. Following SPM training as part of Oikocredit's SPM Mentoring Programme, the FI's chief executive met the client, offered to restructure her repayments and offered a small additional loan to restart her business. The client broke down in tears of relief. She had been planning to sell her family's farmland to repay the loan, which would have pushed her further into poverty.

A few months later the client had repaid the loan, successfully restarted her business, and had taken another loan. She also had become an ambassador for the FI, promoting it to her friends. The FI has now introduced a carefully managed rescheduling policy for good clients facing hardship, so that they no longer need to sell assets when in dire straits.

Box 7. Examples of actions to address client protection

FI Type, Country	Opportunities for Improvement	Quick Wins	Key Results for FI and Clients
Small SACCO, Tanzania	Dealing harshly with good members who experience repayment problems resulting from emergency	Training staff on how to better deal with defaulters. Focus on understanding their problems and find a flexible solution without sending them to court.	The softer approach also helped them to recover a significant amount of bad debts.
NBFI, Uganda	Harsh collection practices Client service	• Removed external debt collectors and established an internal one • All staff were trained on Client Protection Principles and customer care • Recruited Customer Care Officers in all Branches • Suggestion boxes and customer complaints registers in all Branches • Direct hotline to CEO's office where customers call in to air grievances	• Improved client satisfaction and word of mouth • More clients and growth of loan portfolio (stagnated for several years then grew by 90% in 18 months) • Improvement of PAR from 12.3% to 3.4%
NBFI, Uganda	Reduce risk of over-indebtedness Client knowledge on pricing	• Business appraisal required for all clients. • Compliance to client graduation limits monitored by credit supervisors • Strengthened mechanism for cross-checking client knowledge: Group Verification under "Group Formation Process" introduced to check on group quality and price information.	• Reduction of the number of clients who sell their assets to pay back loans (from 30% to 8%) • Increase in the number of clients who understand the pricing of their loans from 55% to 85%
Small SACCO, Tanzania	Members repaying their loans by selling assets. General a fear of borrowing amongst members of savings co-op.	• Loan appraisal strengthened to ensure capacity to repay. • Ratio of borrowing to savings reduced from 5:1 to 3:1. • Where members in danger of of multiple borrowing, Credit Committee now looks at the financial capability of members and offers advice.	Reduction in over-indebtedness. Members also report benefits through the financial education and business skills training. PAR>30 reduced from 14% to 8% and the cases in court from 12 to 1. SACCO reports that they now rarely have to resort to seizing assets.

Box 7. Examples of actions to address client protection

FI Type, Country	Opportunities for Improvement	Quick Wins	Key Results for FI and Clients
NBFI, Tanzania	Harsh collection practices within groups, and staff focused on recovery rather than resolving repayment problems, themselves often using harsh methods.	• Code of Conduct and customers charter developed and staff trained. • Shift in organizational culture to emphasise a focus on good client service as the foundation for the success of the organisation. This was emphasised through formal training and management communication.	A significant change in culture with harsh treatment no longer acceptable and loan officers understanding the value of treating client well. Loan officers and branch managers reported putting more emphasis on understanding the reasons for repayment difficulties and including the group to solve problems.
Bank, Paraguay	Low level of understanding of satisfaction of the clients, no clear procedures for client complaints	Overview of the current practices tested (box, website, direct interaction); strategic decision of the model implemented, definition of the manual of procedure, training of staff	For FI: better understanding of clients' needs, preferences, constraints, and complaints, as well as better reputation with clients. For the clients: clear channel to raise concern, efficient process from the bank to respond.
Cooperative Union, Senegal	Poor analysis of repayment capacity; no policies on debt collection practices	Revision of loan procedures manual. Training staff on CPPs; revision of loan procedures manual, including improved repayment capacity analysis and improved guidelines for debt collection	Expected results: Better loan decisions and behavioural change of loan officers
Cooperative Union, Senegal	Inconsistent treatment of clients by staff, with some harsh treatment	Code of Conduct for staff. Committee formed to prepare a draft Code of Conduct; workshop with staff to discuss draft; revision of code of conduct; approval by Board; all staff sign code of conduct	Expected results: awareness raised among staff that clients are at the centre of the institution; improved client treatment
Cooperative Union, Senegal	Poor financial management by some clients, especially savings accounts and budgeting	Introduction of financial education. Training of trainers that included six Board members and six volunteers from the community.	Significant increase of number of savings accounts (22%) and amount of saving

Examples for Goal 3. Creating Benefits for Clients

Field Example 14. Field Example for Goal 3

A savings and credit cooperative (SACCO) in northern Tanzania with 6,000 members identified poor understanding of voluntary savings amongst its members, and the potential for savings to address members' needs to cope with unexpected and anticipated financial needs. Increasing savings would also provide the SACCO with additional capital and reduce the liquidity problems being faced. They took the following steps:

- Developed and distributed leaflets for awareness on voluntary savings targeting both current members and non-members. Trained credit committee members to educate other members;
- Reviewed interest paid on savings and increased this from 1% to 5%;
- Reviewed procedures to make voluntary savings easily accessible to the members when they need it.

Between March 2012 and August 2013 the SACCO saw a 30% increase in voluntary savings (compared with a 5% increase in members).

Box 8. Examples of actions to increase benefits for clients

FI Type, Country	Opportunities for Improvement	Quick Wins	Key Results for FI and Clients
NBFI, Kenya	Products that match investment opportunities and cash-flow needs	Changes to loan terms and credit policies and MIS to allow for balloon payments on agricultural products.	Increase in agriculture portfolio from 7% to about 15% of portfolio
NBFI, Tanzania	Group loan products too rigid - all group members had to take a loan at the same time for the same loan term without any flexibility.	Flexible product introduced: ● Clients match loan term to business needs ● Flexibility in terms of timing of the loan, duration, and allowing over-payments to repay the loan early ● Loan appraisal done at individual level rather than group level	Some resistance due to reductions in loan size for clients with weak businesses and staff whose workload increased. Improved loan appraisal and flexibility leading to reduced repayment problems. After one year, has become principle product with lowest PAR.
NBFI, Kenya	Protecting clients against shock	Group emergency savings fund. The fund is managed by FI but belongs to the groups.	Positive feedback from clients contributing to reputation of FI and reductions in exit rate.
NBFI, Uganda	Clients struggling after an unanticipated financial demands such as illness are not supported by group members.	Project was set up to learn from solidarity groups that were offering mutual support to members, and then action taken replicate the good practice to other solidarity groups. This research was used to revise and strengthen the group lending manual. Staff was trained with an emphasis placed on group formation and group solidarity.	Some change in loan officers' attitudes and practices with groups; fall in PAR.
Cooperative Union, Senegal	Addressing clients' vulnerability	● Revision of current collateral requirements ● Exclusion of collateral that is essential for the clients' survival ● Revision of procedures for realisation of collateral ● Staff training	In progress
Cooperative Union, Senegal	Better understanding of target groups' risks in different zones of operation	Workshops in 3 different zones with clients to identify the most common risks that clients face, particularly risks linked to the economic (mainly agricultural) activities of clients.	Better knowledge on clients' risks. Input for development of loan for emergencies and for revision of loan procedures.

Annex 3. Example Assessment Report – Summary

Highlights from SPM assessment, East Africa

Overall Challenges: Governance, High PAR

Analysis: The roles of board and staff are not well defined; board is interfering in daily management issues. Fraud in one of the branches Increased PAR to 20% > 30 days, but PAR is overall very high, also in other branches. Only a few loan officers have a portfolio with PAR < 5%. The loan decisions have recently been centralised, which seems to result in a better analysis of loan applications and reduction of fraud.

Goal 1: Financial inclusion

Strengths:

- Mission statement is well defined and target group is defined
- Mobile banking (cars) for remote areas

Opportunities for improvement:

- Specify the target group for example by: urban/ rural, percentage of women to be reached, sector of activity, level of wealth / poverty, business size
- Develop targeting strategy for women; although women are mentioned as the target group, 62% of clients are men.
- Develop strategy to increase number of clients with loans (only 5% of clients with an account have loan outstanding)
- Review group solidarity product and develop a solidarity group training manual. In the past, solidarity groups formed the core of FI's products but the emphasis currently is on the individual credit and the solidarity group product is slowly disappearing.
- Review collateral requirements (house and/or plots) for both individual and solidarity group loan products, that exclude certain categories of potential clients
- Translate (loan application) forms in local language and train staff to support clients with completing the forms, in order to prevent excluding clients with lower education
- Track dropout or retention rate per loan officer / product and reasons why clients leave the institution; some interviewed clients complained about fixed interest rates and reported that clients leave FI because they found its products more expensive than its competitors.

Goal 2: Client Protection

Goal 2.1 Prevent over indebtedness

Strengths:

- Credit bureau is consulted prior to the loan decision
- Staff do an effort to analyse clients' repayment capacity
- Existence of loan analysts at Head Quarters
- Some clients get business advice prior to loan disbursement

Opportunities:

- Some staff does not have the capacity to assess repayment capacity
- Forms for assessing repayment capacity are not always well completed, but decisions are taken on the basis of these forms
- Solidarity Group members are not trained in the same way in all branches (lack of manual and tools)

Goal 2.2 Transparency

Strengths:

- FI has done a rating in 2012 (and in 2008)
- FI has actively participated in the activities organised by MFTransparency and submitted information in 2012 and 2013

Opportunities:

- Inform systematically clients on all costs in absolute value before signing the contract; some of the interviewed clients said that they were not informed about all costs;
- Include costs on flyers and other information material and post the costs in the branches
- Develop a reimbursement schedule that includes all costs (compulsory savings, VAT, insurance, commissions).
- Consider becoming more transparent by reducing the number of pricing components and by introducing interest rate on declining balance. FI got a low 44/100 rate on the Pricing Transparency Index, what is explained by the use of multiple price components: flat rate calculation method, various fees in addition to the interest rate, up-front compulsory deposits and on-going compulsory deposits; a compulsory insurance fee.

Goal 2.3 Responsible pricing

Opportunity:
Review the high APR for small loans, for example a loan of the minimum loan size has an APR of 116%.

Goal 2.4 Fair and respectful treatment of clients

Strength:
Some of the interviewed clients reported a positive attitude of FI's staff in case of repayment problems.

Opportunities:

- Review the policies and procedures for debt collection and define appropriate collection practices; address reputational risk: in one area, the FI is currently known as 'the MFI that sells clients' houses and assets.
- Develop a code of conduct for staff.

Goal 2.5 Privacy of Client Data

Strengths:

- MIS security levels defined according to position
- Some clients report that they knew about the CBR

Opportunities:

- Develop a policy on confidentiality of client data
- Train staff to better make use of the MIS

Goal 2.6 Mechanism for complaint resolution

Strength:
There are suggestion boxes in branches

Opportunity:
Develop an appropriate mechanism for clients' complaints resolution

Goal 3: Create Benefits for clients

Goal 3.1 Support clients to manage risk and cope with emergencies.

Strengths:
- Rescheduling of loans is possible
- An emergency loan is offered
- Voluntary savings account is offered
- Credit life insurance in place
- Solidarity group members are informed about their responsibilities towards other members

Opportunities:
- Develop a manual including tools for solidarity group loans and train loan officers
- Develop policies on rescheduling loans
- Ensure that Solidarity Groups are more homogeneous as the current big differences between loan amounts among members may cause problems with the realisation of the collateral
- Increase accessibility of the voluntary savings account
- Consider the possibility for access compulsory savings in case of an emergency

Goal 3.2 Support clients to plan for household and life cycle needs.

Strengths:
- Remunerated savings accounts for education and transport; after a period of saving on these accounts, the clients can access credit for these purposes
- Term deposits are offered

Opportunity:
Track dormant accounts regularly

Goal 3.3. Increasing income.

Strengths:
- 75% of the portfolio consists of loans for economic activities
- An inventory credit product is offered
- Some clients are trained in entrepreneurship by FI

Opportunities:
- Match loan repayment schedules with cash flow of business financed
- Decision making on loans very slow (several months)
- Promises made to clients on date of disbursement not hold

Annex 4. Templates for Mentor Progress Reports

Bi-monthly Progress Report

Section 1. Summary of work over the past 2 months				
Action Plan	Actions taken by management team/ board	Actions taken by SPM focal point	Actions taken by departments	Actions taken by mentor

Section 2. Plans for coming 4 months (Please specify planned activity)	
Action Plan	Plans for next 4 months

Please describe any changes that you have made to your plans and give reasons for these changes.

Section 3. Issues and challenges to overcome
In this section, please describe up to three challenges you are currently facing in your work. For each challenge, please outline what assistance you feel is needed.
Please describe any other current issues that are taking place in your organisation that may affect your SPM work, including any major strategic or operational changes.

Section 4. Primary successes over the past two months
In this section, briefly describe the areas in which you've had success over the past two months.

Section 5. Other remarks

Annex 5: What is the SPI4 and How Can Mentors Use It?

The SPI4 is a free social audit tool fully aligned with the Universal Standards for Social Performance Management, the Smart Campaign Client Protection Principles, Microfinance Transparency, and the MIX social performance indicators. The SPI4 helps FIs:

- Internally evaluate their level of implementation of the Universal Standards and Client Protection Principles,
- Reduce the reporting burden by harmonizing data collection (with MIX and social investors in particular), and
- Improve their practices by ensuring a strong and coherent approach to SPM.

The SPI4 allows sector stakeholders to share a common language when discussing social performance. Today, FIs prepare their financial statements according to global standards. With SPI4, they can similarly produce their social statements. The previous versions of SPI have been used by more than 550 MFIs around the world. The latest version, SPI4—built by CERISE in collaboration with the SPTF, the Smart Campaign, MIX, and an expert panel of practitioners—is becoming the standard for SP self-assessment in microfinance.

Value for the Mentorship Programme

Self-learning. Use the SPI4 to familiarize yourself with every facet of SPM before beginning your work with the FI.

Assessment. Though the Mentorship Programme methodology is not based on performing a full SPI4 audit as the assessment, you may still benefit from understanding the indicators that are being used globally to assess every area of SPM. The SPI4 also provides detailed questions and indicators that will help you in the assessment process, even if you do not choose to go through every indicator with the FI.

In some cases, an FI may desire a full organizational assessment based on the SPI4. Present this as an option for deepening their understanding of their strengths/opportunities. If you agree with the FI that you will use the SPI4 instead of the assessment presented in Annex 1 of this Guide, make sure that you are comfortable using the tool. The **SPI4 website** (www.cerise-spi4.org) offers a guide for assessors.

Reporting. The SPI4 automatically generates summaries that identify strengths and gaps in the FI practices using the Universal Standards and Client Protection Principles as a base (see report examples below). The mentor can discuss identified gaps and potential quick wins creating value for clients.

While the SPI4 provides a structured and recognized framework that may be appealing to the FI Board and management, it is important to maintain a focus on quick wins when reporting to the FI.

Figure 3. SPI4 Report Example 1. Scores for individual Essential Practices

Level	Number	Label	
Dimension	**1**	**DEFINE AND MONITOR SOCIAL GOALS**	**68**
Standard	**1 a**	**The institution has a strategy to achieve its social goals.**	**68**
Essential Practice	1 a 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.	83
Essential Practice	1 a 2	The institution's strategy defines the specific characteristics of its target clients.	75
Essential Practice	1 a 3	The institution's strategy defines social goals.	50
Essential Practice	1 a 4	The institution's strategy defines measurable social targets for client-level outputs and outcomes.	50
Essential Practice	1 a 5	The institution's strategy defines social indicators to measure progress toward social goals.	100
Essential Practice	1 a 6	The institution's strategy articulates how its products, services, delivery models and channels will achieve its social goals.	50

Figure 4. SPI4 Report Example 2. Scores for each of the 6 Dimensions (at left) and the individual Standards within them (at right)

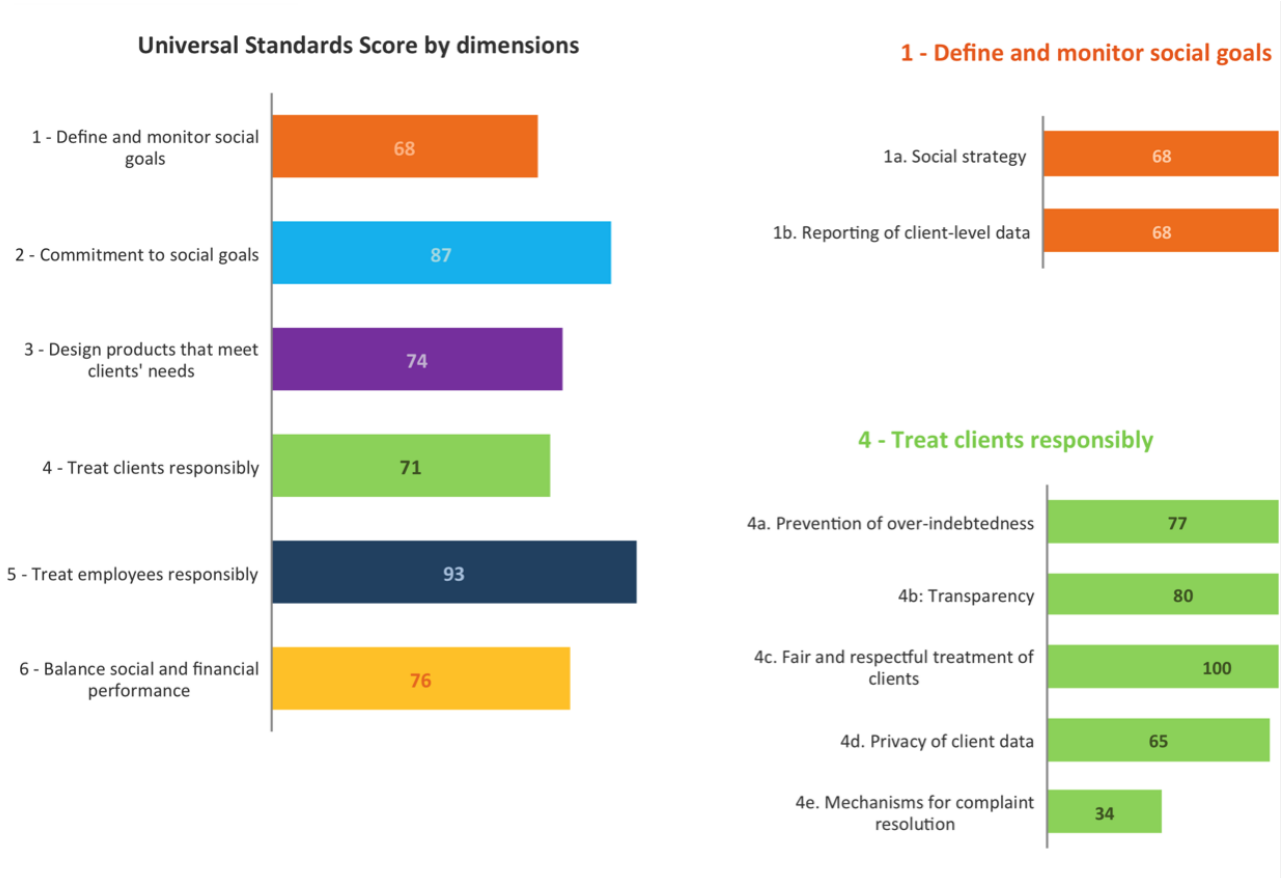
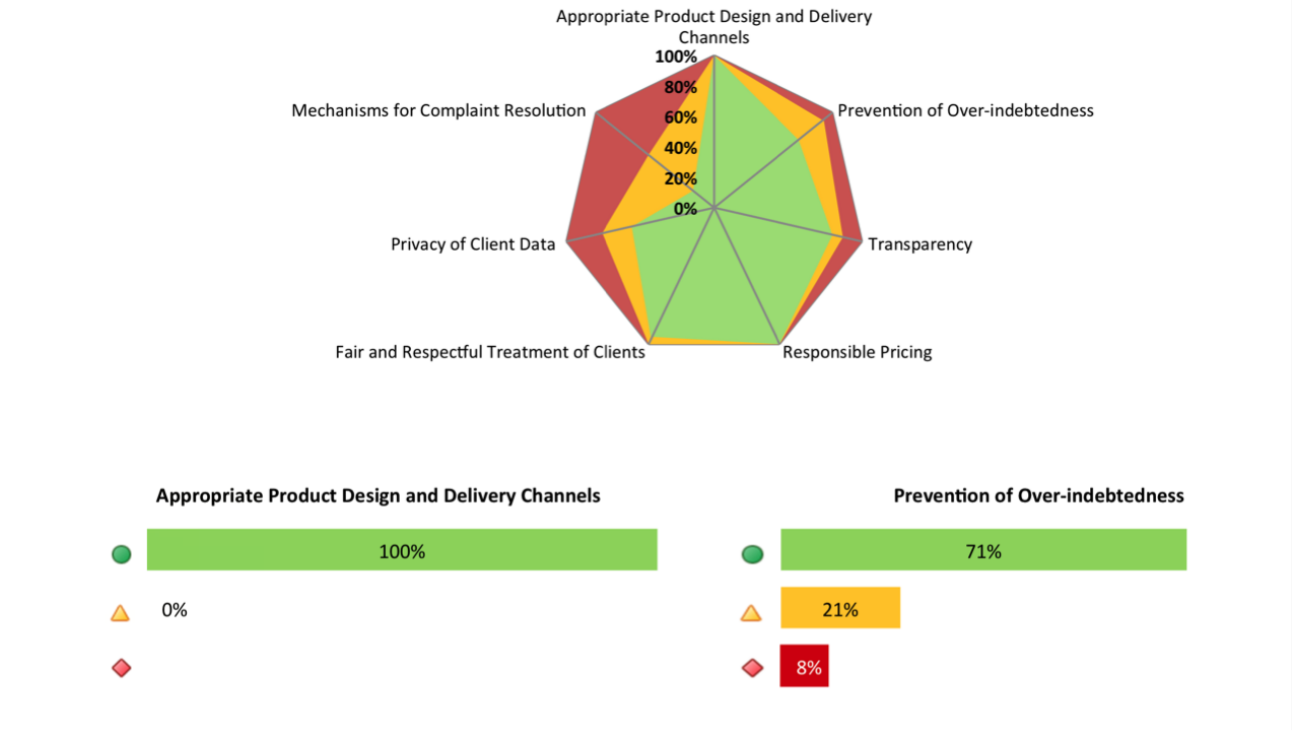
Figure 5. SPI4 Report Example 3. A report generated by the SPI4—Scoring of the Client Protection Principles