



Keeping clients first  
in microfinance

## PRESS RELEASE

### The Smart Campaign – Can it address the AP Microfinance Crisis

In response to a strongly recognized need to assure safe and responsible treatment of microfinance clients, the microfinance industry has created the Smart Campaign to establish core Client Protection Principles and to assist in implementing those six principles around the world. The Smart Campaign's vision is that the Client Protection Principles will become part of the DNA of microfinance. To make that vision a reality, the Campaign aims not simply to win endorsers to the principles, but to disseminate tools, training, and a certification process to ensure that the principles are implemented and verified.

Vipin Sharma, CEO ACCESS Development Services, who is a member of the Steering Committee of the Smart Campaign, informs that the Campaign builds on the social commitment that prompted the founding of microfinance institutions and that continues to be a guiding motive throughout the microfinance community. In a little over a year, the Smart Campaign has won endorsements from 454 microfinance institutions across the world. Its total of 1,549 endorsements from over 100 countries include most of the major backers of microfinance: international investors, funders and support organizations, as well as many individuals working in the field. The Campaign is truly global in reach, with 33 percent signatories from Asia, 22 percent from Latin America, 15 percent from Africa and 30 percent from Europe and North America. Industry leaders have been quick to endorse the Client Protection Principles because they are aligned with their own social commitment to offer financial services that improve clients' lives.

The statement was released ahead of the Steering Committee Meeting scheduled for January 31 – February 1, 2010 in New York.

#### About the Smart Campaign

The Smart Campaign is a global campaign consisting of microfinance leaders, institutions and associations from around the world who believe that protecting clients is not only the right thing to do, but the smart thing to do. By providing microfinance institutions with the tools and resources they need to deliver transparent, respectful and prudent financial services to all clients, the Smart Campaign is helping the industry achieve its two goals of helping clients and attaining long-term financial success, as well as making microfinance a model of responsible banking around the world

#### The Client Protection Principles: Responsible Lending, Transparency and Fair Treatment

#### Steering Committee

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The six Client Protection Principles assert that all financial service providers to low income people must ensure that they implement responsible practices in the following areas:

1. Appropriate product design
2. Transparent and responsible pricing
3. Responsible treatment of clients
4. Effective problem resolution
5. Privacy of client data

The Principles address some of the hot-button issues in microfinance, starting with avoiding lending that exceeds clients' capacity to repay, full disclosure of all interest and fee charges, and pricing at a level that is as affordable as possible, consistent with provider sustainability. As such, they caution providers against reckless lending, abusive collections, aggressive sales tactics and other practices that can lead to harm for clients. In fact these are specifically the reasons attributed to the current crisis in Andhra Pradesh.

**Who Is On Board:** Over 1,500 microfinance institutions, microfinance support organizations, investors, donors, and individual industry professionals have signed up with the Smart Campaign. In just over a year it has reached more than 100 countries, with 33 percent of signatories from Asia, 22 percent from Latin America, 15 percent from Africa and 30 percent from Europe and North America. The Smart Campaign has endorsements from 459 microfinance institutions serving more than 40 million clients.

**Campaign Leadership:** A Steering Committee composed of 26 microfinance leaders representing all regions of the world, and all facets of the microfinance industry guides the Campaign. Its staff is housed in the Center for Financial Inclusion at ACCION International (in Washington, DC). The Campaign coordinates closely with CGAP, a microfinance center housed at the World Bank.

**Method of Working:** To genuinely embed the Client Protection Principles in industry practice, the Campaign works first to win endorsers and then to help them implement the principles through tools, training, and (coming soon) a certification process to ensure that the principles are implemented and verified.

**Social Assets:** The Smart Campaign builds on the social commitment that prompted the founding of microfinance institutions and that continues to be a guiding motive throughout the microfinance community. Industry leaders have been quick to endorse the Client Protection Principles because they are aligned with leaders' own social commitment to offer financial services that improve clients' lives.

#### **Activities: Putting Principles into Practice:**

In addition to raising awareness about client protection, the Campaign works on three fronts: tools and guidance, global outreach with training, and certification.

**Tools Development and Dissemination.** The Smart Campaign has developed a host of tools that help microfinance institutions implement the six Client Protection Principles. The tools for microfinance institutions range from diagnostics to guidelines on applying the principles in the credit process and in complaint resolution processes. The toolkit for investors contains guidelines for incorporating the principles into due diligence and loan agreements. Microfinance investors like Deutsche Bank, Triple Jump and Oikocredit have trained their analysts to examine client protection practices. Asad Mahmood of Deutsche Bank writes, *"The Smart Campaign has helped us in our due diligence. We address each aspect of the*

*principles in considerable detail in our credit write-ups and on-site due diligence.”* More tools and guidance are under development. All tools are available at [www.smartcampaign.org](http://www.smartcampaign.org).

**Global Outreach with Training.** The Campaign has created MOUs with 19 national and regional associations of microfinance institutions in Africa, Latin America, Asia, the Middle East and Eastern Europe, representing 836 institutions. Through these agreements the local associations work directly with their members to systematically assess their practices and train them on putting principles into practice. Through these efforts, microfinance institutions in the far corners of the world are examining their practices – for example, Access Alliance, an association in India, just scheduled two trainings and assessments in West Bengal. There are many more examples.

**Certification.** Self-reporting on client protection cannot provide confidence that the Client Protection Principles are actually being followed. Verification by an objective third party is needed. The Smart Campaign’s certification task force is developing a process that can be rolled out across the industry. Groundwork for certification has been done under the [Beyond Codes](#) project, a pilot program in which 14 leading MFIs opened their institutions as laboratories for examining practices on the ground. Microfinance institutions that are certified will be able to assure investors and clients that they follow responsible practices. The Smart Campaign Steering Committee will soon announce a work plan for launching certification (stay tuned following the Steering Committee’s next meeting on February 1, 2011).

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