Overview

This guide describes the client protection assessment options available to financial institutions, walks you through the assessment process, and explains how to use your assessment once it is complete. Anyone can use this guide. This guide and all of its annexes can be found on the Smart Campaign website: www.smartcampaign.org/certification/assessments

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An assessment can benefit your institution by evaluating how well you are meeting standards of client protection, by setting a starting point for strengthening your practices, by minimizing your risks and improving your profits, and by preparing you for Certification.

**REASON 1**

**In order to assess your practices—know just how well you are protecting your clients**

Many Financial Institutions (FIs) aim to operate under the belief that “the client is king.” After all, positive relationships with clients lead to benefits such as customer retention, repaid loans, a strong reputation, and new clients. Yet putting this guiding philosophy into action can be difficult because FIs must implement client protection while juggling numerous priorities, adhering to national regulations, and trying to stay competitive against peer institutions which may not be so client-minded. Unfortunately, poor client protection can cause your institution pain; clients default on loans, new loan products are not successful, client data is breached leading to fines and fraud—all issues which can hurt your profits. An assessment is key for knowing how your institution is doing compared to a minimum industry standard and for establishing whether or not you need to be concerned about these risks. In addition to guiding your offense, an assessment also gives you defense; if you find that you are adequately implementing client protection, it is also a way of demonstrating your good practices to stakeholders using a standard that is universally respected and understood. For instance, you can use it to defend yourself against overarching regulation and to give confidence to your investors.

“Since the assessment we made adjustments in our Code of Ethics and Collection Manual, we give updated talks to our staff so that they know acceptable practices and behaviors,, and we implemented a brochure of client rights and duties (given to clients at disbursement), and greater transparency around credit documentation and contracts. We did this with the objective of being transparent and treating the client in a fair and respectful way.”

BancoDelta in Panama
REASON 2
To set a starting point for improvement—efficiently address weaknesses and minimize risk

Perhaps you feel that you have some weaknesses in your practices tied to client protection which must be fixed. For instance, maybe you need to improve your collections manual, train your staff on acceptable practices, or rewrite your code of ethics. Maybe you are wondering where to start, which resources and examples to use, or when to take action. Of course, your institution can’t afford to waste personnel time tackling client protection until you have identified specific priorities, staffing, and an action plan. An assessment identifies an FI’s strengths and weaknesses and lays the groundwork for next steps by providing recommendations and tools for what to do next. It is ultimately a way to both identify your quick wins and to also find the best path over your bigger, longer term hurdles.

REASON 3
To prepare for Certification—get ready to become Smart Certified

An Assessment is a key step in preparing for Smart Certification, an independent seal to publicly recognize FIs that have met adequate standards of client care, based on an evaluation conducted by a third-party ratings agency. An assessment is NOT required before Certification, but it does prepare your institution for Certification because all of the standards’ indicators are the same. They are so identical in format that Certifiers can even use the assessment report for consultation during their mission. The crucial difference is that Certification is pass/fail and public unlike an assessment, which is confidential and provides number scores and guidance. The assessment report’s recommendations and analysis can be used toward a workplan for preparing to pass Certification.

REASON 4
The business case for an assessment—to turn client protection into commercial success and minimize risk

An assessment can boost your commercial returns because it is the blueprint for client protection, which in turn allows you to improve your efficiency and capacity. Client protection is the foundation of providing high quality services to clients. It supports increased client retention and builds the brand of the FI. It will support your bottom line internally as well by boosting staff retention, aligning staff incentives to client outreach targets, identifying and removing product design barriers, helping you adhere to regulation, and boosting risk management. If an FI is willing to publish the assessment outcomes, it can distinguish itself in the market as a pro-client organization; attracting attention from key stakeholders including clients, investors, donors, and regulators.1

“We were able to improve the policy for collection processes and add an annex that touched upon the ethics of in collection process… [The Assessment] has allowed us to educate our clients in preventing and minimizing claims because they are aware of the process.”

Acorde in Costa Rica

1 For an example of an institution that has published its report; http://sidbi.in/sites/default/files/Ujjivan_Report.pdf
Which Type of Assessment is Best for Your Institution?

**Why all the options?**

There are three types of assessments so that client protection can be evaluated and implemented by an FI no matter what their level of resources, experiences, objectives, or how much time they have. Having several assessment options help avoid bottlenecks such as cost or availability of a consultant that might prevent institutions from evaluating their client practices.

**How do the assessment types differ?**

First, the three types of assessments all evaluate your practices against the seven Client Protection Principles (CPPs), a framework that encompasses the standards of acceptable practices set by the industry.2 In terms of difference, as

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2 The CPPs are an industry standard for doing business with clients, developed and identified via industry consensus and the collaboration of providers, international networks, and national microfinance associations.
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<sup>3</sup> Estimated time is indicative. Level of effort will depend on a number of factors, such as the level of assessment, the FI size, the level of participation of FI management, the number of interviews, client visits, etc.

<sup>4</sup> A Smart Assessment typically takes less time in the field, thanks to productivity gains from having an experienced, two-person team.
If you do want to do a self-assessment, the Smart Campaign offers many resources on its website to guide you along the way. For instance, there are training modules (ranging from two hours to one-day training) to introduce the CPPs, their standards and indicators, as well as examples of how to score performance adequately.

An accompanied self-assessment is right for your institution if your team is hoping for some guidance during the process and if it is important that the results come from and are validated by an external source.

For an accompanied self-assessment, the FI works with a Smart Assessor through the process, allowing the institution to benefit from an experienced third-party who can probe relatively deeper than a self-assessment validate findings, produce a summary report, and develop recommendations.

Here again, you have some independence and can adjust the level of involvement of the accompanying assessor depending on your resources and the depth of analysis you would like to use (summary or extended).

For any questions about the accompanied self-assessment specifically, we recommend Annex A: The FAQs for the Accompanied Self-Assessment.

Finally, a Smart Assessment (external assessment) is right for your FI if you are willing to use more resources to work with a specially trained Smart Campaign accredited CPP assessor who will conduct a more in-depth analysis and conclude the assessment with a full narrative report.

A Smart Assessment provides an exhaustive, independent view of a financial institution’s client protection practices and is likely to get into more detail than accompanied self-assessments, in part because they are conducted by two or more highly experienced accredited assessors.

This option generates a full narrative report on the strengths and areas of improvement for the FI, accompanied by recommendations and a tailored action plan for improvement.

An external assessment is a genuine capacity-building tool that can help prepare the FI for Certification, guide management decisions, and can even be used to support fundraising proposals.

So how do I decide which assessment is right for my institution?

All assessments will evaluate your client protection practices and provide a starting point for implementing changes. Essentially, your choice of an assessment type will depend on 1) the extent to which your FI wants to conduct the work in house vs. outsource it, 2) the extent to which results must be validated by an external party, and 3) the resources available to you.

A self-assessment is right for you if you are looking for a low-cost option, able to use internal staff time, and want a quick review of major strengths and weaknesses.

Self-assessments generate a graphic overview and so are likely to produce less in-depth and less objective analysis than the others that benefit from an outsider’s perspective.

Ultimately, a self-assessment gives the FI responsibility for determining the time they want to spend and the depth of analysis they want.

“After the assessment we included financial education, timely communication, responding to client complaints and suggestions as part of our business. We included the CPPs in new staff training programs and in the information we provide to both financial providers and our stakeholders. We are very grateful for the opportunity the assessment gave us to move towards continuous improvement and being efficient with high levels of satisfaction among our clients. This had a positive impact on our indicator of retention.”

Acorde in Costa Rica

5 The Smart Campaign accredits assessors by requiring them to attend a three-day training, pass an exam, and conduct two supervised assessments.

6 All annexes can be found in PDF or excel form on the Smart Campaign assessment webpage: www.smartcampaign.org/certification/assessments
What is the Process for Undergoing an Assessment?

### 3.1
**ON YOUR MARK**
Preparation for an Assessment

#### 3.1.1
Get to know the Standards and the Assessment Tool

Every assessment begins with the seven CPPs, their standards, and the indicators for each standard. It is important to get to know these CPPs, standards, and indicators, to understand what your institution is measuring.

Your institution should also get to know the yardstick that is being used; every assessment uses the Smart Campaign Assessment Tool in Annex B to verify performance to standards. It may look like a simple Excel spreadsheet but it is the roadmap for an institution’s practices to be evaluated against the seven CPPs. It comes in two forms: 1) the Summary/Getting Started Questionnaire (Summary/GSQ) tool, which is a simplified tool using 95 indicators and 2) the Extended tool, a more complex version using 300 questions. Both versions evaluate the same seven CPPs and provide the assessment conclusions you need. The Extended version is simply more in depth and for use by a more experienced user. When completing a self-assessment or accompanied self-assessment, you may choose which form to use but we recommend at least starting with the Summary/GSQ tool because it is more appropriate for FIs who are new to client protection and want a quick, low-cost way to evaluate their CP practices. On the other hand, the more in depth extended tool is required for Smart Assessments. This is because it is appropriate for FIs aiming for eventual Client Protection Certification who are ready to invest the time and resources to ensure that they fully meet the client protection standards.

In the tool every indicator is assessed according to the scale in Figure 1.

### 3.1.2
Figure out how much to budget for the assessment cost

A self-assessment is free. A Smart Assessment typically costs between USD $14,000–17,000. An accompanied self-assessment costs somewhere between the two but of course depends on what terms you set with the assessor that is assisting your FI. These costs pay for the time of the assessors—the money does NOT go to the Smart Campaign. The exact cost can vary by location (to accommodate travel needs), by assessor rates, and by the duration of the assessment. The FI negotiates the cost and deliverables directly with the assessor.

An assessment is costly in the short term. But it is also an investment and it will minimize
3.1.3 Finding an assessor. Who can do the assessment?

For a Self-Assessment? YOU
- Your FI must appoint a point person to conduct the self-assessment.
- It helps if this person has been trained on the CPPs, is in a high level management position and/or has institutional buy-in, and has experience with auditing.
- Ideally, the focal point will be familiar with doing evaluations, and has knowledge of social performance issues—such as an internal auditor, product development manager, client service representative—but there is no requirement.
- Mainly, the focal point needs to have the time available to help prepare and support the assessment.

For an Accompanied Self-Assessment? AN ACCREDITED LEAD OR SUPPORT ASSessor
- An accredited lead or an accredited support assessor.
- This could be an assessor in training (a consultant who has attended one of our trainings and who has passed a test we administered) or an accredited assessors (someone who we have trained and who became formally accredited with the Campaign).
- Additionally, the FI should appoint a focal point to work with this assessor. Ideally, the focal point will be familiar with doing evaluations, and may have knowledge of client protection or social performance issues.

For a Smart Assessment? AN ACCREDITED ASSESSor
- An accredited lead assessor and at least one accredited support assessor.
- The difference between a lead assessor and a support assessor is that the lead takes a bigger role than the support who serves as an assistant and the lead is someone with more experience, having led assessments before.
- Our accredited assessors are experienced evaluators with a strong technical background in microfinance and good knowledge of client protection.

- Our accredited lead assessors are listed here: http://smartcampaign.org/certification/assessments/lead-assessors
- And our accredited support assessors are listed here: http://smartcampaign.org/certification/assessments/support-assessors

costly risks down the road. Using the assessment as your blueprint can help grow your business and reputation. Overall, institutions have found that protecting clients is of high enough value to make the short-term operational cost burden worth it.

In the past, institutions have found different ways to pay for assessments. They do so out of their own institutional budget; they have obtained funding from partner organizations such as networks or investors; and on rare occasions the Smart Campaign has helped cover or helped identify a funding partner to cover the cost of an assessment.
3.2

GET SET

Off-Site Steps

The off-site portion of the assessment is important for ensuring that the on-site visit is productive and that the assessor has the information needed to complete the assessment process.

3.2.1

Set the plan in motion with the assessor

It is crucial for your institution’s leadership to give their full support to the assessor team or to the staff member doing a self-assessment. For a self-assessment, the point person should introduce the staff to the process, set a timeframe, and explain what the point person will need to collect from them in order to carry out the self-assessment. For an accompanied or Smart Assessment, the assessor will typically hold a series of virtual meetings to familiarize the FI with the process, to request key documents, and to describe the sort of information they will need and questions they might be asking. These conversations will cover subjects such as setting a time frame, choosing specific dates for visits, planning interviews, answering your questions, and setting deadlines for deliverables. In such opening meetings, the assessors will also request key documents.

In relation, your institution should establish a scope of work for an assessor doing a Smart Assessment or an accompanied self-assessment in order to identify deadlines and deliverables. See Annex C for sample Scopes of Work for both. You may also want to set a modified scope of work for your staff member leading the self-assessment so deliverables and deadlines are clear.

3.2.2

Provide documents and answer questions during the desk review

An assessment begins with a desk review of key documents and materials such as the FI’s policies, national context, and financial data as they relate to the CPPs’ indicators. For instance, if one indicator calls for a non-discrimination policy, the assessor will review the FI’s loan officer manual or Code of Conduct and fills out the Tool accordingly. Similarly, if the assessor finds during an internet check that a regulation in the country sets PAR at a particular level which the MFI must comply with, the assessor includes this information in the report and when evaluating CPP4 (Responsible Pricing). The purpose of a desk review is to make the on-site visit as efficient as possible by establishing all background contextual information and MFI policies. It allows assessors to come to the off-site visit prepared to ask the right questions and confirm that written policies are applied in practice.

3.3

GO!

The On-Site Visit

3.3.1

Evidence is collected at the FI, interviews are conducted, and the indicators are all scored

During the on-site visit, the tool is filled out based on evidence collected in person such as confidential interviews and observations of operations (e.g. staff-customer interactions at the branch level). During a Smart Assessment, the assessor will specifically hold interviews with your institution’s leadership, field and branch officers, and (to the extent possible) clients. Annex D provides a list of the people who are usually interviewed during a Smart Assessment.

A preliminary score will be chosen for each indicator and documented in the tool along with relevant evidence. Evidence must be comprehensive so that a reader unfamiliar with the institution would understand the rationale behind the score. After all, for example, if your SPM Director retires, you want his/her replacement to be able to review the self-assessment and understand where things stand with client protection.

3.3.2

The assessor begins to prepare the final report using information from the tool

For a self-assessment, the MFI’s focal point reviews and finalizes the Summary/GSQ tool with a final read-through and by adding information anywhere that the basis of the score is not clear. For a Smart Assessment and an accompanied self-Assessment, the results from the tool are presented in a report based on a template the Smart Campaign has created (see Annex E). A Smart Assessment report includes graphs of scoring, peer comparisons, recommendations, and all scores.
3.3.3 The preliminary results are presented and discussed

For a self-assessment, your institution’s focal point who implemented the evaluation will present results to your management and can circulate the summary/GSQ tool for reference. FI staff can offer insights into scores and provide additional evidence if they feel a score is inaccurate. For a Smart Assessment and an accompanied self-assessment, the on-site phase ends with an official closing meeting and presentation. During an accompanied self-assessment, once the tool has been completely filled out, the institution’s point person will present it to colleagues. For a Smart Assessment, this meeting serves a debriefing by the assessor to the FI’s management in order to review results, including CPP strengths and weaknesses, and to discuss recommendations to address identified weaknesses. The FI has the opportunity to make the case for a review of scoring and provide missing evidence during this meeting. Further, the assessor will lead a discussion of potential next steps and suggestions for initiatives to take action. The assessor can also provide advice about how to plan for and begin an ‘Upgrading’ (a project which aims at improving Client Protection Practices) and what must be done to attain Certification. An upgrading project takes place after an assessment is complete and involves working with the Smart Campaign directly to address gaps in client protection as identified in the assessment.

3.3.4 The assessor sends the final report to you

For a Smart Assessment, after the closing meeting, once the FI has had a chance to give final feedback on scoring and missing evidence, the Assessment Report is finalized. This draft is sent to the Smart Campaign secretariat for a final review and validation. Finally, about four weeks after the assessment, the assessor team will provide the FI with the final validated report that contains the Smart Assessors’ diagnostic findings and recommendations for action. The steps for the report production and final submission to you from the MFI are outlined in Annex F.

Similarly, for an accompanied self-assessment, the assessor will produce a 10–15-page report that provides an overview of practices at the CPP level, and scoring details for each indicator. Most importantly, it includes a gap analysis—i.e., a list of indicators that need further improvement—with specific recommendations for each one. Wherever possible, recommendations include links to tools on the Smart Campaign website, to help FI start improving practice.

- Summary table of MFI and peer data (1 page)
- One paragraph summary of the findings for each principle (1–2 pages)
- Graphic results by principle (1 page)
- Full scoring table for each indicator (6 pages)
- Gap analysis that provides recommendations for the indicators the need improvement. (1–5 pages)

See the Accompanied Self-Assessment Report Template at www.smartcampaign.org/certification/assessments. FIs should expect to receive the report either at the end of the assessment or at the latest within several days of completing the assessment.

For a self-assessment, you can choose how you would like the final report to be presented to your institution by your staff focal person.

For Smart Assessments, please REMEMBER TO SEND YOUR FINAL REPORT TO THE SMART CAMPAIGN. For purposes of tracking client protection globally and our assessor performance, we appreciate having a copy of the report. All reports are 100 percent confidential and used purely for benchmarking purposes.

3.4.5 Evaluate your assessor’s performance

Finally, remember to evaluate your assessor and assessment experience using the Assessment Evaluation Form found in Annex G.

Table 2 provides a summary of the steps for each type of assessment.

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9 This report is organized into two sections. Part 1 reviews some key contextual elements relevant to client protection in the country. Part 2 presents a principle-by-principle analysis of key strengths and areas of improvement, followed by recommendations, and an action plan. The report includes graphs depicting percentage of compliance per principle, followed by an overall gap analysis. It also shows a list of staff interviewed for the assessment and documents consulted.
# Main Phases per Assessment Type

## Self-Assessment (FI Point Person Using SUMMARY/GSQ Tool)
- Introductory workshop with FI staff to explain the process
- Set timeframe, organize agenda
- Communicate to staff documents/data needed
- Desk review and/or office interviews
- Pricing and peer analysis
- Check national and sector information via online searches
- Debriefing of findings to management, ask for input
- Prepare summary report of strengths, weaknesses and recommendations (optional but recommended)
- Prepare proposed action and monitoring plan (optional but recommended)

## Accompanied Self-Assessment (FI Point Person with 1 Assessor Using SUMMARY/GSQ or Extended)
- Contact an accredited assessor to request support
- Assessor and FI Focal Point hold a meeting to discuss objectives, define Terms of Reference
- Provide assessor with necessary materials to start planning, desk review
- Have assessor sign confidentiality agreement
- Opening meeting (optional)
- Interviews (optional)
- Pricing and peer analysis
- Check national and sector information via online searches
- Field visits (optional for summary analysis)
- Debriefing presentation by assessor (optional)
- Prepare summary report of strengths, weaknesses and recommendations
- Prepare proposed action and monitoring plan

## Smart Assessment (2 Assessors Using Extended)
- Appoint a focal point
- Join virtual meeting to discuss objectives, preparations, timeframe, agenda w. assessor
- Receive and review agenda, document and interview checklist and financial indicators from assessor prior to assessment
- Have assessor sign a contract and confidentiality agreement
- Interviews and field visits
- Debriefing presentation by assessor
- Assessor prepares summary report of strengths, weaknesses and recommendations
- Assessor prepares proposed action and monitoring plan
- Assessor sends report to Smart for validation if needed
- Assessor revises the report based on Smart comments
- Assessor sends the report to FI for comments
- Assessor revises the report based on FI’s comment

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10 See Annex 4.
Making the Most of Results

There are many things you can do with your assessment results:

1. **Use them to inform your practices and make changes.** Create an action plan to fill the gaps based on your priority.

2. **Communicate your results**
   - An institution can choose to share its results with external stakeholders such as the Smart Campaign, donors, and investors as a signal of further engagement and commitment to improve on specific areas.
   - The full text of the Smart Assessment belongs to the FI being assessed, and the institution may publish it on their websites and/or in other promotional materials.
   - If the institution grants permission, the Smart Campaign will publish a one-page results summary, giving an overall result with a brief comment on each of the seven principles.

3. **Secure funding by being transparent about your gaps**
   - Smart Assessed MFIs could use their assessment reports to support requests to investors and donors for TA and even financing.

4. **Prepare for Certification** (see next page)

5. **Brag about your best practices and help the Smart Campaign develop a Smart Note**
   - A Smart Note is a case study or an example the Smart Campaign will share of a best practice.
   - The Smart Campaign can prepare it about one of your best practices and publish it with your assistance.

6. **Apply for an Upgrading Project**
   - An upgrading project is one which aims at improving one or several Client Protection Practices (see Annex H for a sample template for an Upgrading Project).
   - For example, the Smart Campaign, worked with the staff at Swadhaar to create a more active complaint resolution mechanism by helping to upgrade its Grievance Policy, revising the tracker, introducing a tracking sheet at branch level and ensuring that staff was trained to register complaints at branch level. The team also provided recommendations and monitored how feedbacks from tracking system were consolidated at the MIS Department. As a result of the upgrade project, Swadhaar succeeded in making its complaint resolution mechanism more effective, clients awareness in pilot branches increased on how to register their complaints. And overall there was rise in the feedbacks from Clients.

The Smart Campaign has resources for developing an action plan and identifying the resources and tools which will assist upgrading. We recommend you check out the tools listed in Annex H as a starting point.
For institutions that have committed to the Client Protection Principles and implemented them at their organization, the Certification Program is a high-potential next step. The assessment experience facilitates attaining Certification.

How does an assessment prepare my institution for Smart Certification?

After an assessment, you are particularly well placed to prepare for and eventually pass Certification because you now know your strengths and weaknesses and have recommendations to move you forward. Smart Certification goes by the same specific indicators for each standard as an assessment, but rather than be scored, it is all pass/fail. Rather than being done by an assessor, Certification uses a third-party evaluation by a rating agency.
Endorse the Client Protection Principles → Self-Assessment → Certification Ready → Certified
Not Certification Ready → Assessment and Use of Tools
Systematic Efforts to Upgrade Practices → Certification Ready