Dear Colleague,

Over the past two years, several initiatives have developed to evaluate the performance of MFIs along various social criteria. While this gives MFIs new tools for assessing and improving their performance, it also has the potential to confuse MFIs and investors. We are writing this letter to explain how our three initiatives -- the Smart Campaign, the Social Performance Task Force and the Seal of Excellence for Poverty Outreach and Transformation in Microfinance -- are working together to try to minimize confusion while increasing options for microfinance practitioners, investors, and other stakeholders.

Different Areas of Focus, Similar Strategies - The Smart Campaign focuses on client protection. SPTF focuses on double bottom line performance management. The Seal of Excellence focuses on poverty outreach and movement out of poverty by microfinance clients. Yet our initiatives are employing similar strategies in how we seek to encourage excellence in our areas of focus. We work with practitioners and other stakeholders to set standards of performance based on existing good practices. We are developing tools, case studies and training programs to build the capacity of MFIs to meet those standards. And we are developing indicators and assessment methodologies to measure MFI performance against those standards.

A Logical Progression: Client Protection, Social Performance Management and Client Level Outcomes - The starting point for all of those providing microfinance products and services should be to abide by the Client Protection Principles of the Smart Campaign. These principles address the mandate of all providers to treat clients fairly, with transparent and ethical standards that avoid harm. We believe that meeting adequate standards for each Client Protection Principle should be required throughout the industry, supported by appropriate regulation and implemented by microfinance providers, industry associations, and investors.

Many, but not all, microfinance providers claim social as well as financial objectives. To manage these dual objectives, the Social Performance Task Force, with stakeholders from all parts of the microfinance industry, has developed standards of good practice that serve as a guide on how to strengthen social performance management. By defining and promoting strong SPM, the Universal Standards for Social Performance Management contribute to refocusing MFIs on the client. The Standards require MFIs to have clear goals for client outcomes, to respond to clients’ needs, and to measure and track progress toward client-outcome goals.

Beyond following good practices, those seeking social objectives also need to be accountable for results. They need to be able to show whether they have accomplished the outcomes they seek. One of the social objectives given by many microfinance providers is to reach poor people and to help them move
out of poverty. The Seal of Excellence for Poverty Outreach and Transformation seeks to identify those organizations that can demonstrate that they are meeting this objective.

**Coordinated Action in a Common Cause** - While each of our initiatives operates independently, we have taken many steps to coordinate our work with each other. We serve on each other’s steering committees and have many common members on our technical committees. We have also taken steps to incorporate the logical progression between our initiatives into our assessment mechanisms. The SPTF Universal Standards incorporate the indicators developed by the Smart Campaign for client protection certification. The Seal of Excellence builds on both the Client Protection Principles and the SPTF Universal Standards.

**In the Works: A Modular Approach to Ratings** - All of our initiatives are working with the microfinance rating agencies to establish credible on-site verification processes. The SPTF has been working with raters for several years on their social ratings products which already reflect the consensus views of the SPTF. It continues this work as standards and ratings products evolve. The Smart Campaign will launch its public certification process in September 2012, in conjunction with the rating agencies. The Seal of Excellence is currently in the process of conducting a beta test of their indicators with the social raters. While these are works in progress, what is likely to emerge over time is an array of modules that would allow MFIs or investors to choose the topics on which to be rated or assessed. In this way an MFI could have one external rating done that could cover as many topics (Client Protection, Social Performance, Poverty Outreach and Transformation) as it desires.

You are encouraged to visit our websites to find out more about these initiatives and to take advantage of the tools and resources available there. ([www.smartcampaign.org](http://www.smartcampaign.org); [www.sptf.info](http://www.sptf.info); [www.microcreditsummit.org/about/the_seal_of_excellence/](http://www.microcreditsummit.org/about/the_seal_of_excellence/))

Please let us know if you have any questions about these initiatives or any suggestions for how we can make our work more useful to you.

Sincerely,

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