



What are the Universal Standards for Social Performance Management?

[The Universal Standards for Social Performance Management](#) ("Universal Standards") is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial institutions achieve their social goals. Developed through broad industry consultation, the Universal Standards apply to all microfinance institutions *pursuing a double bottom line*. The manual is organized into six different dimensions:

1. Define and Monitor Social Goals;
2. Ensure Board, Management, and Employee Commitment to Social Goals;
3. Design Products, Services, Delivery Models and Channels That Meet Clients' Needs and Preferences;
4. Treat Clients Responsibly;
5. Treat Employees Responsibly; and
6. Balance Financial and Social Performance

Each dimension contains *standards*, which are simple definitions of what the institution should achieve, as well as *essential practices*, which are the management practices that the institution must implement in order to meet the standard. There are also one or more *indicators* per essential practice, which an institution can use to assess whether it has implemented the practice. Overall, **meeting the Universal Standards signifies that an institution has strong social performance management (SPM) practices.**

The original purpose of microfinance was to improve client welfare, but for the last two decades many institutions have focused more on financial sustainability than on the needs of clients. We now understand that institutions that manage only their financial performance will almost certainly be driven only by financial outcomes, so institutions that also have social goals must manage their social performance as well. **By defining and promoting strong SPM, the Universal Standards contribute to refocusing institutions on the client.**

How were the Universal Standards developed?

The SPTF Secretariat managed the Universal Standards development process in response to broad demand by Task Force members expressed at the 2010 SPTF annual meeting for the SPTF to take on this role. The 18-month development process had many steps:

- drafting standards and practices based on existing data and learnings from various SP initiatives
- broadly soliciting input from the more than 1,300 members of the Task Force, as well as experts outside of the Task Force (NB: this was done through several primary channels: working groups, surveys, webinars, and direct discussions with MFI practitioners via networks)
- several rounds of revisions
- final review by the SPTF Steering Committee (whose members are elected by the Task Force) and then final ratification.



How should the Universal Standards be used? To whom do they apply? MFIs should use the Universal Standards in several key ways:

- **To assess** informally their current level of social performance management
- **To guide their strategies** for achieving stronger social performance management.
- **To self-regulate their social performance.**

The Universal Standards are also relevant to the work of other stakeholders in the microfinance industry:

- **Investors and donors can use the Standards to understand an MFI's SPM practices relative to generally accepted good practices.** This may help investors and donors to direct their funds toward MFIs with strong SPM, and to identify SPM capacity building needs among investees.
- **Social raters and social auditors** already use many of the individual standards in their assessments, but they may begin to assess compliance with the entire set of standards as part of the rating and auditing processes.
- **Networks and associations** can use the Standards as a tool to assess the social performance of partner MFIs and make critical decisions about capacity building, partnership agreements, and funding.

For **all stakeholders**, the Standards establish a **global, shared understanding of social performance management**—a first for the microfinance industry.

Is compliance mandatory? No. **Compliance with the Universal Standards is not mandatory** and the document itself offers no grading or certification system.