

Responsible Inclusive Finance Working Group, Convening #17
Hosted via WebEx
October 22 2015, 9 a.m. – 11 a.m.

Participants

- Isabelle Barres, SPTF
- Heather Clark, Independent Consultant
- Kinga Dabrowska, MFC
- Bridget Dougherty, Microfinance CEO Working Group
- Anne Hastings, Microfinance CEO Working Group
- Katie Hoffmann, SPTF
- Laura Foose, SPTF
- James LeCompte, Good Return
- Aldo Moaro, Microfinanza Rating
- Kurt Morriesen, PIIF
- Tom Shaw, CRS
- Tony Sheldon, SPTF
- Nadia van de Walle, Smart Campaign
- Leah Wardle, SPTF

I. Meeting Overview

The 17th convening of the Responsible Inclusive Finance (RIF) Working Group focused on three main agenda items: 1) Debrief on Microfinance CEO Working Group's proposal for a pricing transparency pilot; 2) Debrief on SPTF's survey of central banks and 3) Discussion and review of draft framework for analyzing countries' regulation. A recording of the meeting can be found here:

<https://sptf.webex.com/sptf/ldr.php?RCID=ccb1c9bd92302b1d1728478def1932d2>

II. Next Steps

- Heather Clark will incorporate the RIF Working Group's edits to the draft framework, and Katie Hoffmann will circulate this to the group.
- Group members will submit ideas for organizations that could contribute to the framework.

III. Summary of Dialogue on Agenda Items

i. Debrief on Microfinance CEO Working Group proposal for pricing transparency

- Anne Hastings started with an overview of the MCWG proposal on pricing transparency. The proposal includes a coalition of organizations, such as SPTF, CFI, CERISE, Smart Campaign and the Social Investors Working Group.
- The proposal was presented to MasterCard Foundation's Ann Miles, who assigned it to Sambou Coly. Sambou said he didn't think it was that much different than what MFT had been doing.
- Ann Miles asked to bring donors together to discuss the microfinance infrastructure, including MIX, MFT and the rating agencies. Most of the discussion centered on the MIX. MIX had said they would be interested in including pricing data on the MIX but not in collecting the data. Anne noted that this fits the pricing transparency proposal.

- In late September, SPTF held a webinar on pricing transparency. Sambou was not able to attend the webinar but said he would listen to the webinar to better understand how the proposal was different than MFT's approach. Anne has not heard back from him, but has checked in with him for updates.

ii. Debrief on SPTF survey of central banks

- Leah Wardle provided background on SPTF's survey of central banks. At its 2015 Annual Meeting in Cambodia, SPTF held a panel on regulating the industry through partnerships with regulators and associations. The panel examined the right roles for regulators and associations, as well as talked about examples for building effective relationships between these two stakeholder groups. SPTF has been looking at how to extend this conversation, and it has reached out to four regulators on the challenges they face and how partnerships with microfinance associations can help them to solve those challenges.
- The survey questions:
 - What are the biggest challenges associated with regulating the inclusive finance sector in your country?
 - Which of these challenges can microfinance associations support?
 - Have you developed effective ways of engaging with associations and even financial service providers and their clients?
 - If you could turn back the clock on your relationship with the association(s) in your country, what would you do differently next time?
- SPTF has received written responses from regulators in Cambodia, Nicaragua, and the Philippines. Leah has reached out to bank of Uganda but has not heard back.
- The original concept was to create a short piece based on the responses. However, Leah does not think the existing responses are enough to create such a publication. SPTF plans to use the survey in some way for its next annual meeting.
- Isabelle Barres said certification can complement environments where regulation is weaker or where regulators don't have enough capacity to supervise the sector.
 - Smart has been talking with regulators in Peru and the Philippines to determine how certification can complement regulation. Smart could create a certification fast track for organizations that are regulated. Then, certification could help supervisors focus on the more risky MFIs.
 - Isabelle also said she would like to broaden the survey questions to discuss how associations can support and complement the work of regulators. Suggested language: How can self-regulatory efforts from the industry support and complement the work of regulators? In some markets, the associations will be well positioned to do this. But in other markets, the associations don't have this capacity. Leah agreed.
- Anne Hastings asked how Leah decided whom to contact within the central banks. Leah noted that it was whomever SPTF already knew or could get a contact for through a partner.
- Leah noted that it is hard to draw conclusions from the central bank's responses, given that there is such a small sample size. However, they all noted the following:
 - Difficulty in monitoring unregulated financial institution/ knowing what's going on in the informal sector.
 - Difficulty in partnering with organizations in public and private sectors that have their own way of doing things and trying to coordinate efforts to have a more systematic effort for financial inclusion.

iii. Discussion and review of draft framework for analyzing countries' regulation

- The group then moved on to discuss the draft framework Heather Clark has developed to analyze regulatory issues by country. Each of our initiatives has been working to deepen engagement with regulators, and this mapping will help each of our initiatives better understand various regulatory issues in key markets.
- Since the last call, Heather has interviewed RIF Working Group members to determine the best way to draft the framework. The group had received two documents that Heather developed:
 - Draft approach
 - Draft framework
- Discussion points for the conversation:
 - Are these the right questions? The right types of categories and level of detail?
 - Which countries should we start with?
 - What are next steps?
 - How can we make this a living document?
- Heather walked through the creation of the draft approach, based on her interviews.
 - How Members Will Use the Mapping Research
 - Share good practices in topics
 - Coordination with other organizations
 - Ease of work, efficiency and productivity of not having to produce the information from scratch and knowing whom to contact for what topic.
 - Updating is much easier. Members might also wish to contribute to updates, as they work in specific countries.
 - To guide opportunistic and strategic engagement with regulators.
 - To identify countries that may be open to industry codes and supervision outsourced to a 3rd party certification program, and model legal framework. Would use the research to identify if there is real potential in a country market.
 - Members might also wish to contribute to updates, as they work in specific countries.
 - Potential Approach
 - The suggested approach for the mapping exercise is to include each of the six Universal Dimensions for 15-20 countries.
 - Focus the mapping exercise on Dimension 4, Treat Clients Responsibly.
 - Social performance is a topic of a lot of interest, particularly looking at the LAC experience. The research will examine both prudential and non-prudential regulation that is enforceable by MFI networks.
 - Interviews indicated it is important to show examples in other countries.
 - To the extent possible, giving examples of regulatory enforcement would be beneficial.
 - If possible, include in mapping: have there been successful interventions of other international organizations, as an indicator of national authorities' level of interest. What entities have worked with those regulators on different fronts?
 - To the extent possible, cover specific investor initiatives by standard and country (e.g. European Commission and others with great influence in a particular country or region) and local networks/associations (e.g. India).
 - The sub-group members also noted that updates of the mapping exercise are important.
- **Countries for Initial Mapping**
 - **LAC:** Peru, Bolivia, Ecuador, Nicaragua
 - **West Africa Monetary Union:** Senegal, Benin; *maybe:* Mali.
 - Tom Shaw said we should include Senegal, Burkina Faso, Benin, Cote d'Ivoire and Mali. Should focus through BCEAO headquarters in Senegal.
 - **East Africa:** Ghana, Kenya; *maybe:* Nigeria and Ethiopia.

- Laura would like to add Uganda.
 - Nadia noted that Nigeria is generally more active.
 - Laura and Leah noted that AMFI-Kenya is weak.
 - Nadia noted that Ethiopia regulation is generally slow.
 - **Asia:** Cambodia, India, Pakistan, Philippines; *maybe:* Nepal
 - **Europe and Central Asia:** Armenia, Azerbaijan, Bosnia; *maybe:* Georgia, Kyrgyzstan
 - **MENA:** Morocco; *maybe:* Jordan
- Several topics were identified in the interviews that explore potential useful follow-on activities to the mapping exercise.
 - Have standard language and definitions that clearly define the differences: e.g. social performance, corporate social responsibility, and social impact.
 - Explore results of social performance monitoring in the financial sector. Has the financial sector (or part of it) changed substantially as a result of setting SPM standards, regulation and supervision?
 - Identify which standards should be regulated and those better off not regulated by banking authorities.
 - Recognize capacity of regulatory and supervisory authorities to undertake multiple functions, even if the desire is there.
 - Think ahead for regulation of specific product lines, such as insurance.
 - Engagement with regulators requires exceptional expertise in the technical areas, the country and communications skills. Establishing relationships with regulators takes time and investment. Think about developing a package that covers all of these elements.
- Isabelle noted that regulators are more interested in client protection, and the group is trying to find ways to increase the uptake of social performance as a whole. We need to think of it at a market level: What are the constraints at a market level impair SPM from taking hold? What are CP issues where regulators are more likely to be engaged and already have an agenda, and what are non-CP SPM issues? Who are the other stakeholders that can really influence or support change? The framework should encompass these stakeholders as well.
 - Laura Foose agreed and noted that Isabelle's comments reflect the discussion's with CGAP on new funder guidelines. The guidelines have funders analyze market from a market systems approach: How can you strengthen the overall market? What are the roles that regulators play? What are the roles that private actors play and how can we integrate these issues? We're looking at a partnership model to increase the capacity of countries to address financial inclusion.
 - Laura noted that the framework could provide examples for how such partnerships work in different countries. When you get examples of what regulators are doing in Dimension 4 or 6, then you get an idea for what regulators should do vs what other actors should do.
- Sections of the draft framework:
 1. General section on regulatory landscape.
 - Size and maturity of MFI sector (Average outstanding, PAR, etc.)
 - Organizations providing microfinance services and noting the dominant players in that sector. For example, in Cambodia, credit unions are very limited.
 - Who are the regulators and supervisors responsible for microfinance in the country? Who is the contact? How is it enforced?
 - Other players: Industry associations and networks
 - Who are their members?
 - Do they have codes of conducts?

- SPM engagement?
 - Enforcement?
 - Contact
2. Laws covering microfinance providers and when that regulation was enacted.
 3. Mapping regulation in the country against the Universal Standards for Social Performance Management
 - Many standards are internal to the organization, which means many will be blank in the framework. We could leave them out of the framework. However, if we leave them in, we may find an interesting example.
 - The bulk will be in Dimension 4 – Treat Clients Responsibly
 4. Work of RIF member initiatives in the country
 5. Funder and other support agency initiatives
 6. Updates
 - Could put pending legislation, pending funder initiatives, network plans, etc. here.
- Laura noted that the framework must reflect our contacts among regulators.
 - James LeCompte noted that regulators and association often divide up pieces of work. Understanding some of those workstreams would be helpful. He also noted it would be helpful to know if there is a national financial inclusion strategy.
 - Tom said we need to find a way to make sure national associations are continually involved in updating the framework, given that they talk with regulators on a regular basis.
 - Isabelle agreed and said we have to incentivize networks to contribute. One way is to identify who is contributing information to it so it shows it's a truly collaborative effort.
 - Kinga agreed that it is important to incentivize networks to update the document. From SP Implementation Fund experience, any incentive where there is the recognition of networks' efforts can help get them to update.
 - Isabelle also noted we need to think about how the framework will complement other databases of this nature. Given the number of stakeholders working with regulators, there's a lot of bits of information out there so we can benefit from work that's already been done.
 - Nadia noted that the World Bank's financial inclusion strategies frameworks and support to associations is most advanced in Mozambique and Rwanda.
 - Nadia also noted that SEEP has also been working with associations (with help from Smart Campaign) to have Client Protection sector diagnostics for associations. These help them summarize regulations and practices and health of sector in Excel, generate an output report and create toolkits for associations doing GRM. Bonnie Brusky and Bintou Ka-Niang would be the best contact for this.
 - Isabelle said we also need to ask the following questions: What is the ideal vision of working with regulators? What are we trying to accomplish? Do we want them to regulate a wider set of issues because we know that's an incentive for MFIs to change?
 - Kinga noted that we also add information about the monitoring systems in each country. MFIs are required to report many things to regulators and networks are often involved in the collection of that information.
 - Laura noted that in Cambodia, the NBC wanted the association of banks and the Cambodia Microfinance Association to have a joint meeting and discuss client protection. This could be a good example of partnerships to advance work of all stakeholders in financial inclusions. Rather than silo commercial banks and microfinance, get everyone together to discuss client protection.
 - Laura said that to the extent any of the country's practice has been documented in a case study, we could include that at the end of the framework. For instance, we'll be typing up the approach taken in Nicaragua and can include that in the Nicaraguan framework.

- Isabelle also noted that we should add a free-form box at the end for contributors to add information they think might be helpful.
- Next steps:
 - Talk with potential collaborators about what we need and how we're willing to recognize their contribution. That will help us define how many countries we can do in a certain period of time.
 - Laura suggested Jack, Tomas and Sergio for LAC
 - Kinga suggested Jhale for ECA.
 - James said he would help with Cambodia, Nepal and Pakistan.
 - Laura noted that we would translate this into Spanish and French.