

SPTF Social Investor Working Group Meeting

June 18-19, Ministry of Foreign and European Affairs, Luxembourg

Meeting Brief

I. Overview

The [SPTF Social Investor Working Group \(SIWG\)](#) held its semi-annual meeting June 18-19 in Luxembourg. During the two days, the group shared updates on the continued implementation of the Universal Standards among a growing and diversifying community of financial service providers and investors. It worked together on current priority topics, such as assessing the environmental and social performance of SME lenders, coordinating with broader impact investing initiatives, and managing outcomes. It also spent time identifying and delving into new priority topics, notably how to advance responsible digital financial inclusion.

Below are the session highlights. View [here](#) for the full detailed notes. If you have any questions or further comments on the meeting or SIWG topics, contact Katie Hoffmann at katiehoffmann@sptf.info.

II. Session highlights

DAY 1

Session: Discussion of key trends, opportunities, and challenges in responsible financial inclusion

- Investors identified FinTech as a major opportunity and challenge going forward. Participants would like the SIWG to assess new market participants to see how they behave and how standards would apply to them. It should do the same for new products.
- Investors also repeatedly mentioned the challenge of measuring and communicating impact, particularly in relation to SDGs. Current SDG indicators are globally macro-level and not investment-related. Many investors said they have seen SDG reporting become a checklist exercise; investors need to emphasize that it's not just about checking a box.
- Other challenges identified include assessing responsible pricing and environmental impact.
- Next steps. The SIWG will:
 - Continue to focus on assessing social performance risks in FinTech investments through its [webinar series](#) with CDC.
 - Deepen its workstream on impact measurement and reporting, particularly related to the SDGs and the Impact Management Project. SIWG is looking for MIV volunteers for a case study using the IMP framework (see below).

Session: Updates on work with the Universal Standards and SPI4-ALINUS

- [SPI4 ALINUS](#) has had increased uptake from investors, with 15 investors using it and another 10 testing or including it in their strategic planning. More than 500 SPI4 audits have been completed.
- CERISE worked with e-MFP to gather feedback on the SPI4 from users. In general, users like the common language of the SPI4, the ability to generate [benchmarks](#) on the Universal Standards, and the [funding facilities](#) that provide support for SPI4 audits. Users dislike that the tool can be overwhelming for small organizations, and they sometimes question the quality of assessments.
- Investor testimonies show a variety of ways to integrate the SPI4 into their work. For example, EIF customized the ALINUS to fit the European context, and ADA worked with CERISE to benchmark the performance of its partners.
- CERISE is creating a web application for the SPI4, which would be more user-friendly and allow users to more easily access resources through links. It will be complementary to the MicroFinanza Rating [data platform](#).
- Next steps:

- Investors can take the free 30-minute e-learning modules that CERISE has developed for the SPI4 and the SPI4 ALINUS. Both modules are available [here](#).
- Any investors that are interested in testing out ALINUS should contact Cecile Lapenu at c.lapenu@cerise-microfinance.org.

Session: Environment and social assessment of SME finance institutions

- Responding to demand from its members, the SIWG has been exploring how to best evaluate the environment and social performance of SME finance institutions. The work is being funded by SPTF and e-MFP, and the [draft study](#) was developed by Lucia Spaggiari of MicroFinanza Rating.
- Lucia developed a draft list of ALINUS indicators for the proposed SME module. She proposed that the six dimensions of the SPI4, plus the optional green index, would remain, with some changes in wording when necessary (For example, changing “social” to “sustainable.”) The changes would be at the indicator level and would help assess lenders’ Environmental and Social Management System (ESMS).
- *Next steps:* Investors can review the [draft framework](#) and send any comments to Lucia Spaggiari. The goal is to create an optional SME module within the SPI4 ALINUS. Lucia will work with SIWG members and CERISE to develop a proposed module for review.

Session: Coordination with broader impact investing initiatives and linking to SDGs

- The SIWG is coordinating efforts with impact investing initiatives to share the tools and resources that have been developed and are increasingly implemented in the financial inclusion field. The goal of this coordination is (i) that potential learnings from the FI industry help the work now happening in other impact investment themes, and (ii) to make sure that the FI indicators used within the larger impact investment frameworks are based on the achievements of our industry and comply with the Universal Standards and SPI4 indicators.
 - As part of the World Economic Forum’s initiative to [accelerate impact measurement and management](#), SPTF led an action group to develop guidance on integrating the voice of all affected stakeholders into impact investments and activities of organizations. The publication "Engaging All Affected Stakeholders" is available [here](#). The [Impact Management Project \(IMP\)](#) hosts this work.
 - SIWG led the financial inclusion market consultation process for the [UNPRI Impact Investing Market Map](#).
 - SIWG also worked with the GIIN to develop the financial inclusion theme of [Navigating Impact](#), which aims to help investors select impact strategies and adopt metrics that measure performance toward their goals. SIWG identified five financial inclusion strategies: improve access and usage, financial health, job creation, gender equality, and rural prosperity.
- In discussion, investors emphasized the importance of these partnerships, noting they will demonstrate how rigorous the financial inclusion vertical has been at measuring impact compared to the broader impact investing industry; at the same time, the partnerships can help the financial inclusion sector learn how to better communicate impact, which the broader impact investing industry has excelled at.
- *Next steps:*
 - SIWG is working with the Impact Management Project to develop financial inclusion case studies for its IMP Investors’ Impact Matrix, which allows investors to map their entire portfolio or specific products by their effects on people and the planet. PGGM, the KLF Foundation, and 40 members of the GIIN Investors’ Council have already mapped their investments using the matrix. Any interested SIWG members should contact Katie Hoffmann (katiehoffmann@sptf.info) to get involved.
 - SIWG will conduct several webinars with IMP to discuss the Investors Impact Matrix and the development of a framework for measuring and reporting on SDGs.

Session: Over-indebtedness and the Lenders Guidelines in Cambodia

- MIMOSA worked with Cambodian Microfinance Association to develop [Lenders Guidelines](#) with the aim of curbing over-indebtedness (OID) in the country.
 - MIMOSA identified multiple borrowing, early refinancing, and loan-to-income ratio as measures to assess potential OID. It partnered with the Cambodian credit bureau to monitor those indicators, developed a dashboard of indicators, and formalized limits.
 - The dashboard is created every month for every MFI. Investors ask for it, and the credit bureau receives a copy of each MFI's dashboard every quarter. The Smart Campaign has said any Smart certified institution in Cambodia must follow the guidelines.
- In a separate example, Smart Campaign helped Sa-Dhan develop a tool that monitors OID at the *market* level (Identify high risk areas); the *institutional* level (In high risk areas, identify providers with high exposure and weak policies and procedures to prevent OID); and the *client* level (In high risk areas, survey clients to identify reasons for OID and priority issues).
- Investors identified Sri Lanka, Egypt and Lebanon as other countries with concerning OID.
- Next steps: SPTF through its [RIFF-SEA facility](#) in Southeast Asia is considering funding part of the Lenders Guidelines [project](#), pending other investor contribution. If any investors are interested in co-funding this activity, contact Katie Hoffmann (katiehoffmann@sptf.info).

Session: Joint session with InFiNe members on Green Finance

- Panelists emphasized the need to promote green finance as an opportunity, as opposed to simply another reporting requirement for MFIs. Traditional MFI clients are the most vulnerable to climate change, and green finance presents both an opportunity and a risk management mitigation for MFIs. Also, climate change agreements will require several changes by 2020 and 2030, which creates additional opportunities.
- Panelists emphasized the need for investors to define their green finance strategy. Do you want a positive effect on climate change, and/or do you want to reduce negative effects? Do you want to target inclusiveness? It's important to refine this strategy before measurement.
- Investors identified a general lack of capacity related to green finance as the largest challenge. For example, a loan officer must know of a technical solution and the viability of that particular solution for a particular client in a particular context.
- Next steps: Investors identified the need for a technical assistance facility for green finance.

DAY 2**Session: Investing in responsible digital financial services**

- IFC, Goodwell, and CDC worked with the Responsible Finance Forum to launch the [Guidelines for Investing in Responsible Digital Financial Services](#). The guidelines are anchored in the G20 Principles and were developed in conjunction with a variety of investors (e.g., impact investors, IFIs, DFIs, family foundations, private equity funds, venture capitalists, and banks).
- The guidelines are product agnostic and not meant to be prescriptive. Rather, each guideline has action items with examples. As the sector evolves, these will be continually updated with current best practices and evidence in markets, projects and investments.
- IFC and CDC emphasized that a critical mass of investors must share its vision and cooperate to share their experiences in the field so that risks and solutions can be more easily identified.
- Next steps:
 - Investors who are interested in becoming signatories to the Guidelines can fill out this [survey](#). For questions on the Guidelines, contact Lory Camba Opem (mcamba@ifc.org).
 - Investors are encouraged to join the SPTF-CDC [webinar series](#) on how investors can assess SPM risks in DFS investments. If you have information to share in the series, please contact Katie Hoffmann (katiehoffmann@sptf.info).

- FinTechs can join the Smart Campaign's [FinTech Community of Practice](#). Email Alex Rizzi (arizzi@accion.org) for more information.

Session: Digital transformation of MFIs

- **Key concerns** in digital credit include non-performing loans, high interest rates, data privacy, and predatory marketing, and a lack of adequate [repayment capacity analysis](#). MicroSave analysis shows that there are 3.7 million people negatively listed in Kenya out of 8.2 million total borrowers.
- There are three main digital credit borrowers' personas: repayer (30%); juggler (40%); defaulter (30%). Jugglers and defaulters are growing significantly, due to the key concerns listed above. Repayers are tied to a high-touch model.
- Also, although digital credit has been heralded as a way to boost financial inclusion, it's unclear how much of digital credit is actually reaching the excluded. Digital credit providers are generally going after the previously banked, as it's more expensive to pursue rural or poor customers. This could lead to a challenge for traditional MFIs, as digital credit providers will take the high value customers, leaving the lower value, less profitable customers in more rural locations to the MFIs.
- **Next steps:**
 - SIWG is working with MicroSave to develop an Innovations Lab for microfinance, which would partner MFIs with FinTechs. The lab would support MFIs in their digital transformation and would accelerate FinTechs that develop scalable solutions for financial inclusion. Investors overwhelmingly said they were willing to collaborate with other investors on such a project, particularly because it directly partners MFIs with FinTechs. They also liked the idea of identifying problems first and *then* working with FinTechs to make responsible social solutions that address those issues.
 - The SIWG will also work to address the following questions identified by investors:
 - Overall, investors emphasized that they want more capacity on DFS. What does it mean to have a ["good" FinTech investment](#)? How can investors ensure FinTech providers responsible and also try to support MFIs to be competitive in this space?
 - Investors are also interested in a "roadmap" for digital transformation of MFIs, similar to the roadmap concept when MFIs transformed from NGOs to commercial.
 - Interested investors should contact Katie Hoffmann (katiehoffmann@sptf.info) with any questions or feedback on these topics.

Session: Investor's experience with outcomes

- While there is increased awareness of outcomes management, there are still see few concrete examples of MFIs or investors showing outcomes data.
- Symbiotics is working to [measure employment and business growth](#) outcomes for microfinance clients. The outcomes are aligned to the SDGs, which is an easy way to communicate results.
- BBVA MF has a target for their institution and every country to acquire a certain number of poor clients and vulnerable clients. They're trying to understand how clients are behaving over time. It started linking segmentation to product offering. It has seen progress relative to the poverty line.
- IPA is using quantitative metrics for measuring financial health, which is a welfare outcome in and of itself. It's also an intermediate indicator of welfare.
- Investors debated whether the industry should measure outcomes if it's unable to prove causality. IPA said using outcomes data without a proper counterfactual could lead to poor decision making over time. Symbiotics disagreed, saying the idea is to make sure investors and investees are informed of what's happening to the clients. It's a matter of accountability and not a matter of impact evaluation.
- **Next steps:**
 - Investors should review the [Guidelines on Outcomes Management for Investors](#) and other resources from the [SPTF Outcomes Working Group](#).

- SPTF is coordinating with Acumen to find financial inclusion examples for a Lean Data project. Interested investors should contact Katie Hoffmann (katiehoffmann@sptf.info).