

Responsible Inclusive Finance Working Group, Convening #5 Minutes
Hosted via WebEx
September 23, 2013, 8:30 AM – 11 a.m.

The link to the WebEx recording for this meeting can be found here:

<https://sptf25.webex.com/sptf25/ldr.php?AT=pb&SP=MC&rID=22279822&rKey=8e4100a72c1e5464>

Participants

- Ranya Abdel Baki, MF*Transparency*
- Isabelle Barres, Smart Campaign
- JD Bergeron, Truelift
- Laura Foose, SPTF
- Anne Hastings, Microfinance CEO Working Group
- Katie Hoffmann, SPTF
- Cécile Lapenu, CERISE
- Aldo Moauro, Microfinanza Rating
- Kasia Pawlak, MFC (representing the SP Fund for Networks)
- Micol Pistelli, MIX
- Alex Rizzi, Smart Campaign
- Tony Sheldon, SPTF
- Sebastian von Stauffenberg, MicroRate
- Caroline Thieulin, OXUS (representing Michael Knaute, Convergences)

I. Meeting Overview

The fifth convening of the Responsible Inclusive Finance (RIF) Working Group focused on four agenda items: (i) a review of the RIF Working Group presentation for the Microcredit Summit in the Philippines; (ii) the sustainability model of the networks, focusing on potential areas of collaboration between RIF initiatives; (iii) an update on the discussion between MIX and raters; (iv) and an update on the CERISE SPI-4 audit tool. The next RIF Working Group will convene in November 2013. A scheduling doodle will be sent out to participants.

II. Next Steps

The RIF Working Group identified the following action items:

- SPTF will update the presentation for the Microcredit Summit, including incorporating suggestions for the PowerPoint, questions for panelists and verbal quiz.
- RIF initiatives will share strategic thinking around capacity building. SPTF will create and distribute a standard format for initiatives to share their strategies for 2014. SPTF will circulate the answers ahead of the next call, allowing initiatives time to identify areas for potential collaboration.

- SPTF will interview investors about which indicators and documentation they are currently collecting on social performance. This will show the current overlap between MIX, raters and investors, as well as map interest of investors in desk review.

The RIF Working Group proposed the following agenda items for the next meeting:

- Review initiatives' strategies regarding capacity building and discuss how the initiatives can coordinate these plans
- Update from joint RIF presentation at the Microcredit Summit and discussion on how to adjust for future joint presentations in Luxembourg, Africa and India.
- Update from CERISE on SPI-4, following the expert panel meetings in Paris in October.

III. Summary of Dialogue on Agenda Items

i. Welcome Remarks

Laura Foose opened the meeting with an introduction of the RIF Working Group and an overview of the agenda.

ii. Review of RIF Working Group presentation for Microcredit Summit

- The RIF Working Group is developing a joint presentation for various upcoming conferences. While practitioners have expressed interest in improving practice related to responsible inclusive finance, many of them have expressed confusion at how to do that. These presentations represent an opportunity to jointly clarify these issues.
- The first joint presentation will be the Microcredit Summit in October in the Philippines. At the Summit, J.D. Bergeron will deliver the jointly developed PowerPoint, which will be followed by a verbal “true or false quiz” moderated by Dina Pons to see what participants got from the presentation as well as to emphasize main points we want them to leave with . The session will conclude with an interactive panel of representatives from NWTF, PPAF and MCPI, discussing success and challenges in implementing responsible inclusive finance.
- On the call, Katie Hoffmann reviewed the PowerPoint, which defines responsible inclusive finance, explains the resources available to MFIs and presents a roadmap for them to move from intent to action on improving practice. The group provided feedback on the presentation, including:
 - Anne Hastings noted that it is important to show that client protection is applicable to all institutions, while social performance management applies to institutions with a double bottom line. She also requested that the PowerPoint more clearly spell out client protection and social performance principles, as well as clarify the stakeholders that should be involved in each step of improving practice.

- Initiatives will send Katie Hoffmann additional questions for panelists, as well as suggested questions for the verbal quiz.
- The presentation will be used at future joint presentations, including African Microfinance Week, European Microfinance Week, India Microfinance Week, and investor workshops in Germany and Luxembourg.

iii. **Cost to Support the Core Activities of RIF**

- Laura Foosse set the stage for the discussion by explaining that during the last two RIF Working Group call, group members heard from MIX and the raters on their business models. The discussion today focused on the networks' business models and potential areas for collaboration.
- Kasia Pawlak provided an overview of networks' business models. Given that networks' business models are diverse, she asked 12 major networks to fill out a short survey about their revenue streams and activities. From that survey, she reported that:
 - Networks provide a variety of services that are considered “public goods,” including standards development, advocacy, knowledge development and reporting and monitoring.
 - Networks' budgets are very diverse, ranging from 0.1 million to 2.9 million. The budgets are composed of various components, including membership fees, other fees, and donor funding. On average, earned income represents 50 percent of networks' budget. Of those surveyed, earned income represented a minimum of 14 percent and a maximum of 90 percent of budgets.
 - Networks largely depend on donor support for social performance management (SPM) activities, particularly technical assistance. Networks have difficulties funding SPM due to limited demand for such activities.
 - The networks believe that financing for SPM can be increased and diversified through cooperation with global players and initiatives. For example,
 - RFIs and MFIs could outsource some activities to networks. Networks can pool resources from members, as opposed to MFIs doing things on a one-on-one basis.
 - Networks could be a one-stop information point for regional MFIs.
 - Networks could develop joint products. For example, if networks collect data for other initiatives, they can add additional information, such as local regulation.
 - Networks see several other challenges in making SPM part of their ongoing operations, including limited buy-in among MFIs and local stakeholders, limited understanding of SPM, limited capacity to implement SPM and limited incentives for stakeholders.
- RIF initiatives need to build incentives so all stakeholders want to improve practice in responsible inclusive finance. This is the area where networks see the greatest opportunity for collaboration. Possible incentives could include:

- The RIF Working Group can offer a RIF investor award to recognize social investors who invest in SPM, which in turn will incentivize MFIs to change behavior.
- Networks can help establish global and country responsible inclusive finance policy workshops for regulators to gain their support, which would incentivize members. Networks hold follow-up country meetings to continue the dialogue. Laura Foose noted that SPTF is working with the Senegal Network, AFMIN and the Alliance for Financial Inclusion to have a broader policy discussion with regulators at the SPTF annual meeting in Dakar.
- Other possible areas of collaboration include:
 - RIF initiatives could create a fund for technical assistance that focuses on integrating RIF in overall management training, as opposed to positioning it as a separate part of training. Networks could help implement and monitor MFIs progress.
 - The RIF Working Group needs to speak as one voice to stakeholders so they can get one aligned message. Networks could work as that channel.
 - The group could set measurable SPM implementation targets, and networks can play a role in monitoring MFIs.
 - Networks want to play a role in a tiered system of verification. Some networks have the capacity to support data collection and can help implement local requirements or translate data. Stronger networks also can conduct the first step of verification, applying a contextual lens and differentiating compliance on paper vs actual practice.

Other comments included:

- Isabelle Barres noted that, before an investor award is established, it is important to talk to the investors about their motivations regarding SPM. It is possible they buy into RIF, but that they have operational constraints that make it difficult for them to move forward on such issues. If that is the case, an investor award would not be effective.
- Micol Pistelli said networks are fundamental to MIX's desk review process, given that they have language skills and local expertise. During the process, the networks collect documents from MFIs, review them and then share the documents with MIX. Raters have a more in-depth role, providing third-party, on-site due diligence and verification that MFIs have implemented social performance management.
- Cécile Lapenu said that, when referring to general management training, it is important to reach out to a wider audience of TA providers, such as universities, to ensure they are integrating RIF training into their approach. The RIF initiatives also should develop standardized materials to be provided.
- Isabelle noted that the Smart Campaign is developing a technical assistance fund focusing on client protection, which will allow the organization to subsidize MFI trainings and technical assistance. However, this depends on the fact that there are

people who have been trained to provide these activities and that there are tools that have been developed. She also noted that MFIs could have an SPM expert, meaning they would be trained on RIF holistically, not just on client protection or pricing.

- Laura noted that SPTF's database provides a comprehensive list of TA providers. When initiatives are developing new TA providers, they should draw from the existing list of SPM experts and build out their skills.
- Isabelle would like to set aside time to strategically think about how all the initiatives can work together. While the initiatives are coordinating on messaging, there are limitations to what they can coordinate at the activity level if they have not coordinated on the strategic level. It will be helpful to be aware what each initiative is planning, so we can integrate from the beginning as much as possible. Such strategic planning should start with one area, such as capacity building.
- Isabelle also noted that many practitioners are overwhelmed by what the group is expecting of them. It may make sense to slow down, allowing time for the tools and trainings to take hold.

iv. Update from the MIX-Raters discussion

- Micol Pistelli provided an update from the most recent call between MIX and the raters. MIX and the raters have been discussing a common platform for data and document sharing, as well as discussing how to leverage different groups' roles and expertise in the value chain of data collection and data quality.
- The two groups discussed ways to make desk review more efficient. MIX has a desk review process to help users differentiate between desk-supported and document-supported data. While raters perform desk review, they face several challenges in the process, such as incompleteness of information and inefficiencies. Such inefficiencies make desk review financially unsustainable, particularly as SPTF has more indicators for standards that MIX will have to collect.
 - By collaborating, MIX and raters could reduce ratings cost, the reporting burden of MFIs and make desk review more efficient.
 - SPTF will interview investors about which indicators and documentation they are collecting on social performance. This will show the current overlap between MIX, raters and investors, as well as map investors' interest in desk review.
- MIX has learned there is no universal subscription model for its service, making it important to create a model that is flexible to investors' demands. MIX data is used as negative filter in screening process; however, investors use it sparingly for decision-making because the information is not necessarily backed by a social rating.
 - Rating agencies could be more active in providing on-site due diligence. That way investors can access validated information.
 - MIX and the raters could reduce costs through a joint platform of validated information. This could offer a valuable and sustainable service to the industry.

Other comments included:

- Aldo Moauro said the two groups must find a sustainable business model for implementation of activities. For example, for MFIs that are reporting to MIX, the raters must understand how to differentiate between MFIs that are being checked and MFIs that can't be checked.
- Isabelle Barres noted that it is important to work with the existing validators of data, such as experts that CERISE has been training and networks that have been trained on the Universal Standards.
 - Micol Pistelli said MIX selects indicators in addition to those that CERISE selects, such as results related to employment and poverty. Thus, once MIX knows whom CERISE has trained, it can see what type of complementary role the raters can perform. Mix also is partnering with several networks, and training them to provide benchmark analysis.

v. Update from CERISE on SPI-4

- Cécile Lapenu provided an update on CERISE's SPI-4 audit tool, which will give MFIs a simplified tool for self-assessment on different standards. Using the tool, MFIs will be able to produce specific reports on their performance of the Universal Standards for Social Performance Management, Smart Campaign Self Assessment and Truelift.
- CERISE will use a data collection tool to gather data for social and financial indicators, including pricing information. Such data collection will be aligned with the MIX, which will reduce the reporting burden for MFIs. It also will help MIX, CERISE, and the networks more easily provide investors with reliable information.
- The rollout of SPI-4 is scheduled as follows:
 - In early October, the organization will hold an expert panel with different initiatives, MFIs and networks to further gather feedback on SPI.
 - The SPI-4 will launch in January 2014.
 - In June 2014, CERISE will present the tool at the SPTF Annual Meeting and further discuss with the industry how to promote the tool.
 - Throughout 2014, CERISE will collect data from SPI-4, in excel format.
 - In 2015, MIX will take this information and update its indicators.
- Networks are willing to play a role in data collection and data quality control. They have local knowledge and thus can provide reliable information. CERISE will continue building the capacity of networks and TA providers for data collection and verification.
- CERISE also will continue to grant "SPI accreditation" for SPI users, which could provide externally verified data at the audit level.
- In relation to the Forolac certifications, CERISE is working to integrate a rural focus as much as possible into SPI-4, but not gender at this time. The poverty focus is covered by the Truelift input.