

**Responsible Inclusive Finance Working Group, Convening #14**  
**Hosted via WebEx**  
**March 24, 2015, 9 a.m. – 11 a.m.**

*Participants*

- Frank Ballard, Grameen Foundation
- Isabelle Barres, Smart Campaign
- Anne Hastings, Microfinance CEO Working Group
- Laura Foose, SPTF
- Cécile Lapenu, CERISE
- Aldo Moauro, Microfinanza Rating
- Tomi Nummela, UNPRI
- Kasia Pawlak, Microfinance Centre
- Jody Rasch, Independent consultant
- Chuck Waterfield, MFTransparency

**I. Meeting Overview**

The 14th convening of the Responsible Inclusive Finance (RIF) Working Group focused on four main agenda items: (i) a debrief from SPTF's mid-year social investor meeting, including coordination on SPI4 lite; (ii) coordination on pricing transparency; (iii) coordination on regulation and (iv) the future of Moody's Social Performance Assessment, as well as other updates. The RIF Working Group will meet next in May 2015. The recording for the meeting can be found here:

<https://sptf.webex.com/sptf/ldr.php?RCID=b2c099c828159fe17b83815af08465ce>

**II. Summary of Dialogue on Agenda Items**

- i. Debrief from SPTF's mid-year social investor meeting, including coordination on SPI4 lite**
- Before giving a debrief from the investor meeting, Laura Foose started the call by welcoming Tomi Nummela, who is temporarily replacing Karin Malmberg at UNPRI while they find a permanent replacement.
  - The SPTF Investor Working Group met for its annual mid-year meeting in early March in Luxembourg. Laura said there were 80 participants. Approximately half were participants who regularly come to the meeting. The other half, who came on second day of the meeting, were primarily newcomers. The group made a concerted effort to reach a wider audience by asking MIVs to invite their board members.
  - At the meeting, investors discussed:
    - Basic guidelines for reasonable covenants.
    - Management guidelines for avoiding over-indebtedness
    - Development of the SPI4 lite. Investors are working with Emmanuelle Javoy, an independent consultant, to create a subset of SPI4 indicators that investors would collectively ask MFIs to report on. If all investors ask for the same indicators, it will reduce the reporting burden for the MFIs that have to report to multiple investors.
      - Laura noted that investors are being asked to pay for part of the production for the SPI4 lite.
      - Cécile Lapenu said that CERISE has been working with Emmanuelle and about 15 investors to develop the indicators. After several drafts, they have reduced the

original 212 indicators to 70 indicators. She said they are close to finalizing the selected indicators.

- Minutes from the mid-year investor meeting can be found here: <http://www.sptf.info/sp-task-force/http-www-sptf-info-sp-task-force-social-investors-working-group>

## ii. **Coordination on pricing transparency**

- Chuck Waterfield said that MFT transparency will no longer be collecting data on pricing, expanding on a similar announcement earlier this month. Chuck noted that MFT conducted a pilot where partners collected data but that the pilot was not successful. Thus, MFT is now ceasing collection and publication of data. He said that the industry can still use MFT's tools to evaluate prices and make decisions.
- Laura Foose noted that there are two main activities that MFT conducted: collecting pricing data and analyzing country-level data. The SPI4 can help collect pricing data through its users. However, the country analysis – comparing peers across markets – will still be missing.
  - Laura added that investors at the mid-year meeting were concerned about pricing transparency going forward, and that they want to create a working group to solve this problem.
  - Anne Hastings noted that the Microfinance CEO Working Group continues to support pricing transparency and would like to find ways to overcome the problems that Chuck encountered. She said the group is looking for alternatives. She doesn't want to just look at international networks and investors, but the countries and MFIs themselves.
  - Kasia Pawlak noted that, in Europe and central Asia, their network is focused on greater transparency. Networks could be trained to do this on a country level.
  - Cécile Lapenu said that more than half of institutions that have completed an SPI4 have filled out the APR tool. However, she noted that, while this means the SPI4 can help collect pricing data, the APR tool on the SPI4 is a simplified version of the MFT tool. If users want more precise information, they will have to get the full tool from MFT.
- Isabelle Barres said that, in addition to the question of how to collect and analyze the data, there have to be incentives for MFIs to submit the data. She asked to what extent Chuck thought the hurdles for participation were linked to the fact that the data was going to be shared publicly. She suggested that we consider an intermediate version, where MFIs submit data and the data is available in aggregate on country level but not shared on individual level.
  - Chuck said that from 2009 to 2012, MFT aimed for full transparency. Then, with the pilot, they tried the approach Isabelle suggested: would MFIs be willing to give data if it was aggregated? Chuck said there was still reluctance from MFIs. If the public is going to see the data, even in aggregate form, MFIs are reluctant.
  - Kasia noted that MFIs that are transparent are punished for being so and that investors that get this information are not necessarily making decisions based on the information.
  - Other challenges for getting MFIs to agree include reporting burden and challenges of assembling the technical information required.
- According to an MFT presentation at the investor working group, challenges for funders and networks to collect data include:
  - Time pressures to collect additional data
  - The work was generally delegated to the social performance team instead of the due diligence team
  - Varied degrees of closeness with MFIs
  - Concern about being only funder requesting pricing info

- Chuck also noted that having transparent data doesn't mean that data get integrated into the decision-making process. He said the industry needs need knowledge of what the prices are and then how to judge whether those prices are responsible. It's not about transparency, it's how we make decisions based on pricing.
- Anne asked how many countries have truth-in-lending regulation, and how many are calculating it in an appropriate way
  - Chuck said there are many laws, but the majority have serious limitations. MFT website has data on all regulations they know of here: <http://www.mftransparency.org/regulation/>. The main issue is that you have to know how to interpret and rework the data so you can compare data
- Aldo Moauro said raters could collect this information, but the market generally doesn't recognize third party independent information providers. The investors are not participating in the revenue model.
  - Laura noted that investors suggested that raters could collect this information. However, because there are not enough rated MFIs in a market, it's hard to get the volume of data.
- Laura noted work on this should be coordinated going forward. She asked Emmanuelle Javoy to come up with next steps.
  - Anne added that the Center for Financial Inclusion is nearing the end of its research on industry infrastructure, and MFT is a large part of that work. CFI will host a meeting to discuss the results in D.C. on April 14. There may be more information to go on after that meeting.
- Chuck also noted that he's working on creating a balanced pricing tool.
  - This includes:
    - Balance between business and client
    - Recognize there's no single "market price"
    - Address limitation of imperfect market competition
    - Recognize not all clients pay the same price
    - Get beyond need to have current prices of other MFIs to compare
    - Develop a "weighted score" (what percent are paying above/below the threshold.)
  - Kasia noted the concept of balanced profits is important, as MFIs stress lack of transparency on MIVs.
  - Laura noted said SPTF is currently developing cases studies on balanced profits and has approached Triple Jump, Developing World Markets and TPC. She also noted that Triodos just released their sustainability 2.0 tool, which talks a lot about balanced returns.

### iii. Coordination on regulation

- Laura Foose noted that she's hearing from several stakeholders that are interested in engaging regulators on responsible finance issues. The group should coordinate to avoid duplicating efforts.
  - SPTF. Laura noted that SPTF always hears from its members that it needs to engage more with regulators.
    - Last year, it put together research on what networks have done to engage with regulators, which is available on SPTF's website.
    - Now, SPTF plans to engage with 4-5 countries, understand where they are with regulation and what they want to do in terms with responsible finance issues.
  - Netherlands Platform for Inclusive Finance (NpM) Laura noted that they are working with Jami Solli to develop potential model policies that regulators can use to engage in responsible inclusive finance.

- Alok Misra. Laura said that Alok Misra of M-CRIL was proposing to do a four-country analysis in Asia of what is happening as a result of regulation. What are the lessons learned?
- Smart Campaign. Isabelle Barres noted that the next phase of the Smart Campaign will involve working much more closely with regulators. It is still working with providers, but the extent to which they are successful and to which the clients are protected, even when providers are doing what they need to be doing, depends heavily on regulation. She said they are still finalizing activities, but that Smart Campaign will:
  - *Look at engagement at a global level*. Regulators are interested in learning more, such as having trainings and more dialogue about financial providers.
  - *Take a deeper dive in selected countries*. Regulators are in different places and are willing to have a different level of dialogue based on what they see is a priority. Smart Campaign is hoping to have examples from all the major regions.
- Microfinance CEO Working Group. Anne Hastings said the MCWG has been working with a peer group of lawyers to develop model legislation for about a year. DLA Piper is helping them through their pro bono unit. The model has been reviewed by about 10 experts, including regulators and people from CGAP and World Bank. Soon, they plan to finalize it and have it translated into Spanish and French. They are having a roundtable with regulators on April 16.
  - Laura said she wanted to make sure Anne was in touch with NpM, given that they are planning to make model legislation. Anne noted that MCWG and the Netherlands Platform for Inclusive Finance have been in touch, so NpM is aware of the project. She thinks NpM is more focused on effectiveness and implementation of existing regulation.
  - Anne emphasized that MCWG's model legislation is based just on the Client Protection Principles. It does not involve prudential regulation.
- Laura noted that SPTF has been asked by members to engage, but it seems as if others are addressing it. Furthermore, regulators are mostly interested in client protection, as that ensures the safety and soundness of the market. She noted that the group should just make sure to coordinate. For example, SPTF has been approached by regulators in Nicaragua, Morocco, Bolivia, Jordan to help them evaluate practice.
- Aldo Moauro added that Microfinanza Rating is licensed as a rater in Ecuador and Bolivia and are very much in touch with those regulators.
- Laura emphasized that all these actors should coordinate to make sure we are not duplicating efforts.

#### **iv. Future of Moody's Social Performance Assessment (SPA) and other updates**

- In early March, Moody's closed down the Social Performance group.
  - Jody Rasch said that ICRA, a Moody's affiliate in India, has expressed interest in taking over the Social Performance Assessment (SPA).
  - Jody said that he has officially retired but that he plans to continue working on select projects, with a focus on impact. He can be reached at [jodyrasch@gmail.com](mailto:jodyrasch@gmail.com).
- Frank Ballard provided an update on the PPI, noting that Grameen Foundation is still looking to find a new home for the tool, or try to find a sustainable model. New PPIs are available in Ghana, Madagascar and Cambodia.
- Aldo Moauro said that Microfinanza Rating is working with CERISE for a Regmifa project focusing on technical assistance 16 MFIs in sub-Saharan Africa. The project has three phases: gap analysis, training/TA, and final workshops. Three phases: gap analysis. Second

phasing: training and TA. Third phase: final workshops. Regmifa is developing the list of MFIs, and they should be able to share the list soon.