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MICROFINANCE IN A NEW
FINANCIAL ERA



Ethics, Social Performance, Responsibility: What does it mean?

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Social performance/ impact



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- First preoccupation in the MF sector:
what is the impact of the MFIs?
 - 2000's: to « prove » from « improve »
 - Today, new trends (e.g. randomization)
- In the 2000's, reflections around « MF and social links », « empowerment »
- The term « social performance » starts to be used in 2001/2002

SP and Poverty outreach



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- Historically, the first « value » for assessment of the social mission and for the expectations of the donors: poverty outreach
- Hence, the idea of a trade-off between social & financial performance

Building a framework for SP



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- Internal reflection from the MF sector, based on different initiatives working with the MFIs: what do you want to be valued ?
- Reflection also inspired by other sectors: CSR, GRI, etc. => includes the notion of SR to staff for example

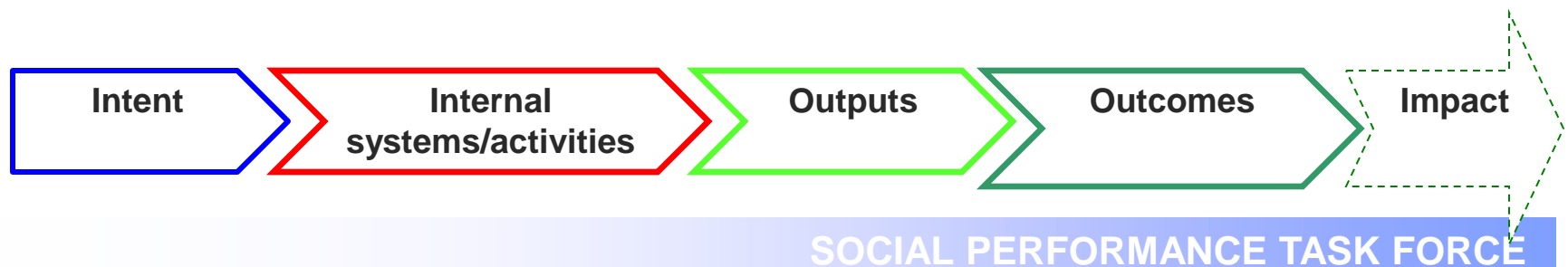
What is Social Performance?



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- **The effective translation of an institution's mission into practice in line with accepted social values that relate to:**
 - Reaching target market (poor and excluded)
 - Delivering high-quality and appropriate financial services
 - Responding to the needs of clients, their families, and communities
 - Ensuring responsibility toward its employees, its clients, the community it serves, and the environment



Continuum RS/SP: Responsible Finance



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Responsible finance involves taking into account not only financial but social, environmental and ethical criteria when making investment decisions.

Minimum standards/ “Do

no Harm” / SR to client

Client protection against harmful practices

- Avoid putting clients at risk of over-indebtedness
- Offer appropriate products
- Loyal and fair treatment of clients and staff

=>

Ethical behavior

Standards of behavior

- Responsibility to the community
- Transparent pricing
- Code of conduct for staff and investors

=>

“Do good” / SP

Economic, social benefits for the MF clients

- Outreach to poor
- High quality services
- Disseminate social performance indicators
- Protect the environment

(From CGAP)

Research, experience and innovation on each « domain » improve the overall framework for assessment and management of MFIs

The most recent issues in SP



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- Consumer protection
 - Transparency / level of interest rates
 - Codes of ethics => Behavior in MF
- Environment
- Opportunities for reporting: SPS on the Mix Market for the MFIs, ESG framework for the MIV disclosure guidelines

RS as a « minimum »



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- Consumer Protection and social responsibility standards should not be taken as the « best » for promoting responsible finance, but as a minimum
- The social mission of Microfinance can push the sector further to innovate and balance social and financial objectives
=> Social Performance Management

No trade-off SP/FP



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	Borrowers/ staff	PaR 30	OER	Total portfolio
1. Targeting	++		-	
1.1 geographic	++			
1.2 individual			--	
1.3 methodological	+			-
2. Services			+	++
2.1 diversity	-		++	++
2.2 quality				++
2.3 innov. non fin.				
3. Benefits	+		+	
3.1 transparency-trust			++	
3.2 participation				
3.3 empowerment				
4. CSR		++		++
4.1 SR/staff		+		++
4.2 SR/clients				++
4.3 SR/community		+		++
Total Social	++			++

What does it mean for the MFIs?



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- A recognition of their social mission, more balanced assessment
- An opportunity to work both on financial and social performance management
- A new range of tools to define and implement their own objectives
- A value-added for SRI

What does it mean for investors?



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- An opportunity to be more transparent on results, to value their own social strategy
- A different way to assess and support the microfinance sector
- A risk to push just for the minimum standards : does MF have a specific mission or is it just « usual business » with strong SR?



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Thank you!

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