EUROPEAN MICROFINANCE WEEK 2016

Assessing and Promoting Social Performance in Europe: Exchanges and Lessons learned from the South

European Microfinance Week

Luxembourg, 17th November 2016

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Assessing and Promoting Social Performance in Europe

Setting up the context and objectives

- **Context:**
  - Microfinance is recognized as an essential tool for economic growth and social cohesion in Europe, but where does the European microfinance sector stands in term of social performance assessment?

- **Purpose of the workshop:**
  - Identify the existing challenges in social performance assessment in Europe as compared to Emerging countries
  - Share experiences from different actors in building and using social standards to promote responsible microfinance sector in Europe
  - Debate about the importance of developing common standards in social performance assessment while addressing the specific socio-economic challenges of European markets

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Agenda

- Introduction of panelists
- Debate
- Q&A
- Conclusions

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Introduction of panelists

- **Moderator:**
  - Noémie Renier (EIF)

- **Speakers:**
  - Cécile Lapenu (CERISE)
  - Nicolas Blondeau (Inpulse)
  - Alain Levy (BNP Paribas)
  - Grzegorz Galusek (MFC)

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European Investment Fund (EIF) in a nutshell

- Established since **1994** as specialist provider of risk finance to benefit SME across Europe
- **Shareholders**: European Investment Bank (EIB), the European Union, represented by the European Commission (EC), and a wide range of public and private financial institutions
- Managing own resources as well as resources provided by the EIB, the EC, EU Member States or other third parties
- Offer targeted financial products to banks, guarantee, leasing companies, micro-credit providers and private equity funds, with the objective to **enhance SMEs access to finance**
- EIF **involved in the microfinance sector since 2000** providing funding, guarantees and technical assistance to a broad range of financial intermediaries

*"Supporting **entrepreneurship** and **innovation** in Europe"*

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European Investment Fund (EIF) and social performance assessment

- Highly regulated and developed financial sector and customer's protection rights, combined with strong social security framework
- **Strong social and economic policy role** driven by importance of microfinance in Europe
- Yet young and highly heterogeneous but growing microfinance market, notably in Member States as compared to emerging countries
- EIF working with CERISE on the development and implementation of a social performance assessment tool
- **Challenge:** aligning to the universal standards in social performance assessment while addressing the specific socio-economic challenges of European markets and EIF investment strategy

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CERISE

- Pioneer since 2001 in Social Performance Management. An intuition of MFIs : SPM is beneficial for better impact and better financial performance. Created the SPI tool in 2002.
- Participated, as member of SPTF (2005), to the definition of the Universal Standards for Performance Management, launched in 2012
- CERISE SPI tool has been aligned to the Universal Standards in 2014. Social audit tool to build the "social statements", report and manage SP.
- In 2015, work with the investors on ALINUS option (Aligning Investors due diligence with the Universal Standards)
- In 2016, update and streamlining by the sector initiatives and practitioners, of the Universal Standard, client protection principles, SPI4 and ALINUS.
- In the European context: opportunity to draw from the Universal Standards, link also with the Code of Good Conduct

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CERISE and the work with EIF

- Objectives
  - Development of a pragmatic social performance measurement approach : drawing from international experience and European context
  - Tool based on information that is easy to collect and to verify
  - Calibration of the scope and scores to the objectives of the mandate and EIF strategy
- Methodology
  - Drawing from SPI 15-year experience
  - Mapping of Code of Good Conduct with the Universal Standards
  - Interactive workshops to select key indicators, and pilot with European Financial intermediaries (3 banks, 7 MFIs)
- Results
  - An Excel assessment tool to conduct self-assessment, guide informed discussions between EIF and its partners
  - A full compatibility with the Universal Standards

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Inpulse

Inpulse
Investment Manager
Positive Change

- **Impact-driven fund manager,** with offices in 3 countries : 6 staff in Belgium, 4 staff in Poland and 1 in France
- Financing social economy, cooperative and microfinance since more than 20 years
- **Total aggregate investment capacity of EUR 58M** – 2 main funds under management/advised:
  - **CoopEst** – launched in 2006, EUR 40M, debt and subdebt in Eastern Europe and Caucasus, targets Tier 2/3 MFIs and cooperative banks
  - **CoopMed** – launched in 2015, EUR 10M (target EUR 20M), debt and subdebt in MENA, targets Tier 2/3 MFIs and cooperative banks
  - **Helenos** (to be launched in 2017) – EUR 25M, equity in Europe, target financial institutions targeting microentrepreneurs and social enterprises
- Geographical scope: **Europe, Caucasus, Middle East and North Africa**
- **AIFM registered** since 2016

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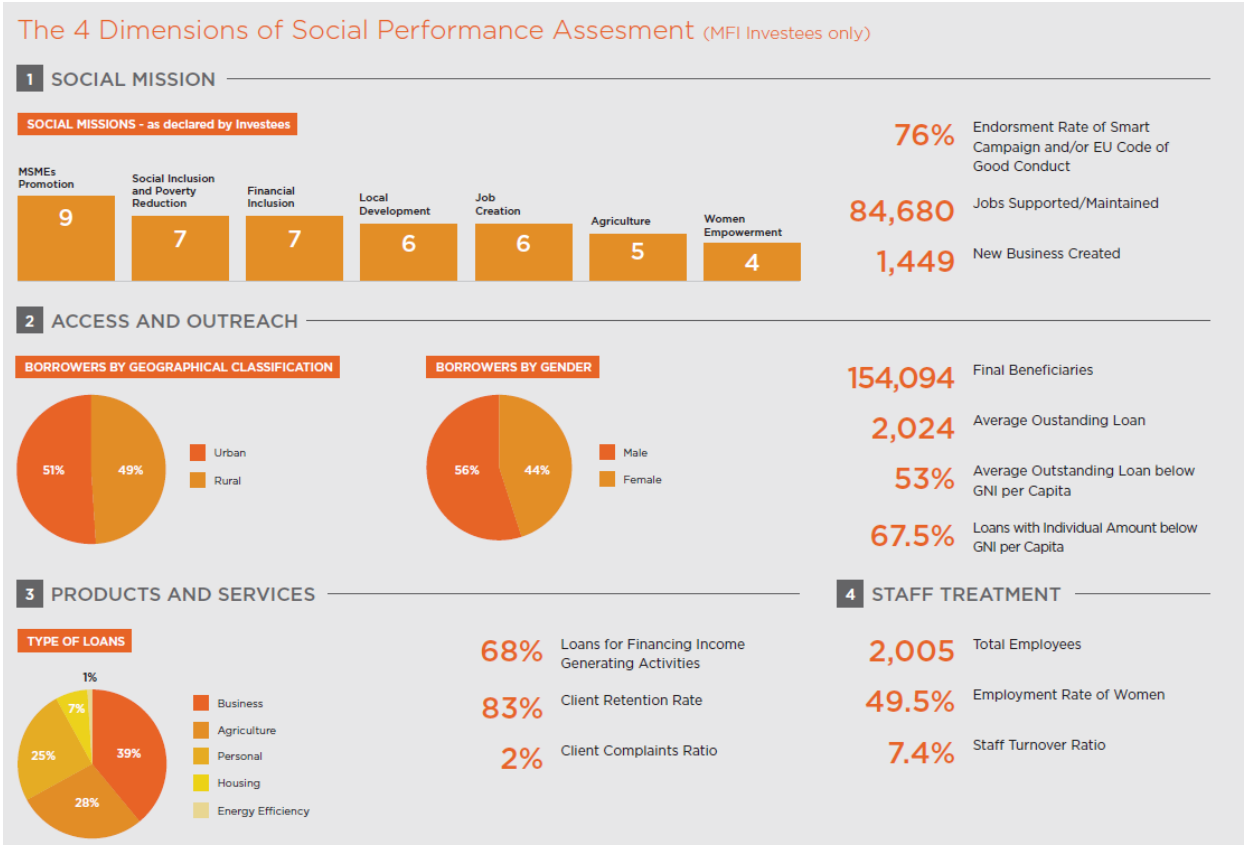
Inpulse

- Inpulse is active in Western (social economy) and Eastern Europe (social economy & microfinance)
- **Tailored social performance management tool** (SPA)
  based on a matrix of social impact indicators aligned with the Universal Standards of Social Performance
- Inpulse SPA tool is divided into 4 categories:
  - Social mission
  - Access and Outreach
  - Products and services
  - Staff treatment
- SPA tool is fully integrated in the different phases of investment: due diligence, monitoring and reporting



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BNP Paribas : 25 years of funding and services to Microfinance Institutions

- MFIs that fund their microcredits mainly through borrowing, need partners to develop and sustain their activities. BNP Paribas provides them with tailored support and funding, in local currencies in order to prevent foreign exchange risk.

- BNP Paribas Social Entrepreneurship & Microfinance portfolio : € 840 Million as of June 2016

- BNP Paribas Microfinance portfolio: € 240 Million
  - Direct Loans to mature Markets : € 75 M (France, Italy, Belgium, Luxembourg, UK…)
  - Direct Loans to the rest of the world: € 110 M
    (Brazil, China, Colombia, India, Indonesia, Ivory Coast, Morroco, Poland, Senegal, Tunisia, Vietnam)
  - Indirect support: € 41,9 Million
    The Bank offers to its customers and employees the opportunity to invest in solidarity savings funds, partially invested in MFIs.
- Our bank is involved in financing MFIs, both in Northern countries and Southern ones

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BNP Paribas : A strong commitment towards social performance

- Microfinance social target: to increase beneficiaries number from 250.000 in 2015 to 350 000 in 2018

  This indicator, part of a set of CSR indicators, has an impact of 20% of the deferred variable compensation for top 5 000 managers
- BNP Paribas Participated as a member to SPTF and in a Work group to Alinus
- A social performance section is included in all our due diligence works
- The group is building a Social Impact methodology where the whole social portfolio is dispatched in 7 Social action clusters, including Microfinance & Support to Entrepreneurship
- Our indicators answer to 3 questions, whatever the countries concerned are.
  - Who are the beneficiaries targeted?
  - What are the achievements of the social business?
  - What are the results / effects on the beneficiaries?
- A first pilot has been implemented for BNPP client and employee saving scheme funds invested in microfinance. A Social impact performance report is released every semester

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Microfinance Centre and Social Performance Management

- MFC is an international microfinance network: 105 members (MFIs, investors & donors, networks)
- 15 years of experience in SPM
  - setting up standards as a part of SPTF
  - testing standards in cooperation with national associations
  - promotion of SP standards
  - assessments in Europe and Central Asia
- Social Performance Fund (set up in 2010) – global program aiming at broad adoption of social performance standards
  - Over 90 MFIs supported to implement SP
  - Over 30 national associations supported to promote and suport members in SPM

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Microfinance Centre and Social Performance Management – lessons learnt

- ECA region characteristics:
  - Commecialized MFIs challenged to balance social and financial performance
  - Good level of minimum standards in client protection implementation and social responsibility to MFI staff
  - Interest in SP among MFIs could be higher if there was interest among investors and regulators
- Lessons for Europe:
  - Interest from investors is key to bulid MFIs' long term SP committment
  - Coordination among key players to have common set of SP standards is important
  - Building on existing experience, tools and lessons learnt
  - Process is critical: defining what institutions aim to achieve, whom to target, what outcomes etc
  - Important to use a gradual approach to SPM implementation
  - Ensure the engagement of the whole MFI staff

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Debate

What are the key challenges observed in Europe in term of social performance assessment as compared to emerging countries ?

Do you apply the same social performance assessment models and criteria's in the European context as compared to emerging countries?

Can we apply one unique model for the assessment of social performance in microfinance?

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Debate

Questions & Answers

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Debate

Conclusions