

## Cerise+SPTF Annual Meeting 2022

### Session Notes

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| <u>Name of session</u> | <b>Social Investor Working Group (SIWG) Discussion of the Client Protection Pathway</b> |
| <u>Date</u>            | 28 September 2022   |
| <u>Time</u>            | 9:00 – 10:30 am   |
| <u>Moderator</u>       | <b>Anne-Laure Behaghel</b> , Client Protection Pathway Manager, SPTF                    |
| <u>Speakers</u>        | none  |

#### Notes from the presentations and discussion:

##### Current update on the CP Pathway

- 112 institutions committed
- 3 fintechs
- Some networks are represented like FINCA, Baobab, Vision Fund
- 37 are certified
- An even distribution across the globe
- 19 are yet to submit their documents
- 7 of them are still working on their self-assessment

##### Step 1: Commit

###### Supporting Implementation

- CERISE has worked closely with 10 Egyptian FSPs in partnership with the World Bank
  - Coaching on self-assessment, action planning and implementation of CP Standards
  - On their way to Certification
- SPTF is working closely with CMA in Cambodia on a Code of Conduct

##### Step 2: Implement

###### Our CP Implementation Series have seen increased interest

- 5 webinars in English, total of 200 participants
- 3 in French with a total of 87 participants
- 3 in Spanish with a total of 152 participants
- Convening a community of responsible investors

##### Step 3: Report

- 86 active certifications around the world
  - 66 Smart certified, 30 expire this year

- 14 Gold, 5 silver, 1 bronze
- West Africa is not yet represented
- 38 of them have joined the CP Pathway

Current certification bodies:

MFR, M-CRIL, Inclusion SR, and MicroRate (under conditional approval)

Question & Answer session:

**What is the cost of getting certified?**

- Between \$10,000-\$20,000

**Are we happy with the uptake?**

- No but we cannot do this alone and we need the support of the investors

**Why is there no uptake for West Africa?**

- Under the old Smart Campaign none of them qualified. With the new pathway, we expect there will be more uptake.

**Is the progress completed during Step 2 monitored?**

- For Step 2, we do not monitor their progress, we let them go at their own pace. The only monitoring we get is when we hear that they are certified. The documents need to be updated every 2 years except for Certification that is every 3 years.

**On Step 2 can you give more color in terms of what actions do you see and what topics?**

- It depends on the region; the challenges are very different. In Egypt there has been a huge effort in pricing transparency, topic of collections.

**How committed are investors to ensure that their entire portfolio implements client protection?**

- There is a need for collective responsibility. What are we collectively doing? Currently it is not enough. How do we scale it up? We need to work with investment managers on how to navigate the Cerise+SPTF website and the process of the CP Pathway.
- Examples of investor commitment to client protection:
  - GCAF – 25% of portfolio committed to CP Pathway but only 10% are certified and this is not rising quickly.
  - Incofin requires investees to commit to the Client Protection Pathway and Step 2 and 3 are determined based on the maturity of the client. They also have lines of communication including podcasts and recordings on the CP Pathway for their officers.

- Proparco uses SPI ALINUS tool for due diligence, and it depends on the maturity level of the clients and the main objectives they would like to pursue whether they would like to develop new products and services.

### **What type of borrowers is this applicable to? Only MFIs?**

- The Client Protection Standards are applicable to any type of financial service provider. They are applicable from large banks and to a small MFI in Africa. If you read it, it is the basic framework and management system you need to have to put your clients first.

### **Group Exercise:**

How are you going to concretely incorporate CP in your approach?

1. CP commitment to implement as eligibility criteria
2. CP assessment (or ALINUS) is integral part of DD
3. CP conditions in loan agreement
4. CP incorporated into pricing policy
5. Client reporting on CP gaps and improvements
6. Certification required after X time
7. Target TA is facilitated for CO improvement

In my portfolio I am reaching

- Committed FIs
- Certified FIs

Responses from groups:

- Number 1 and 3; 4 would work if all other market players would go along. Average of 7% committed portfolio. Trying to include it and trying to push it. But it depends on the region – always trying to promote it amongst investees.
- This group says they look at the client protection principles in due diligence, number 2. Some have it in loan agreement, point 7. Reduce risk by having certification but have a risk of undercutting the market. One thought – commit publicly to having a percentage to investees committed to the pathway – both for committed and certified

### **Feedback from investors:**

- Is there really a need to do both CP Pathway self-assessment and SPI4? Vote to have a certification on this as well. Too much burden to request both.
- Not an issue with getting MFIs to commit but getting them to progress. Missing a mechanism to get to that progression.
- Where are the DFIs in this? They have an important role to play as well. Example of Cambodia where CPP is an important topic. We need to have good data on what is happening. Engagement with SPTF is important. It was good to build the CP pathway on lessons learned from the previous Smart Campaign. Getting the regulator involved is necessary. With the regulator, we can strive to make an impact as a nation. We can make this effort nationwide.

**What can investors do?**

- Set minimum standards and investment advisors will follow
- Align on wording of what is in contracts
- Investors should make it mandatory but with the readiness to exclude some investment and say no when the institution is not ready to commit.