

## Cerise+SPTF Annual Meeting 2022

### Session Notes

<u>Name of session</u>	<b>Ten Years On: Some Reflections on Our History</b>
<u>Date</u>	28 September 2022
<u>Time</u>	9:15 am – 9:30 am
<u>Speakers</u>	<b>Laura Foose</b> , Executive Director, SPTF  <b>Cécile Lapenu</b> , Executive Director, Cerise

#### Their Remarks:

#### **LAURA:**

Thank you very much, Mr. Biddiscombe, for that kind introduction. And again our sincere thanks to everyone at AFD. We are grateful to you for hosting this meeting. And we are grateful for your years of steadfast support of the global effort to move from rhetoric to reality on client protection and social and environmental performance management. The people here in this room this morning, and hundred of partners all around the world, have driven that global effort. Because ultimately—when the principles have been promulgated . . . when the frameworks have been finalized . . . and the declarations have been signed . . . someone has to actually do something. As the saying goes, if nothing changes, then nothing changes. The people in this room are the ones who have been willing to do something different: to embrace a way of delivering financial services, or investing in financial service providers, that insists upon accountability.

Thank you for being those people.

As I look out at the room this morning, I can hardly believe that we are together again in person, at last. As grateful as we all are for videoconference technologies—we all know, too, that there is just no substitute for being together in person. Especially for organizations like ours, for whom the one global meeting per year is the main chance to connect. As you know, our annual meetings usually take place in the global South, where our members’ work takes place. And we will soon return to that tradition—our next meetings will take place in Guatemala and Cambodia.

But for this—our first global in-person meeting in three years—Paris was an ideal choice. Along with being central and accessible, Paris is the headquarters for AFD, and also for OECD, with whom Cerise+SPTF have formed a new partnership. We will be

hosting our first joint meeting with OECD at the end of the week, and I cannot express how excited we are at the potential this new partnership holds to give our work the kind of scale and visibility we have been working towards for years.

A partnership like the one with OECD is the fruit of years of hard work. And indeed, we have been doing this work since the late 1990s. This year, we celebrate the 10<sup>th</sup> anniversary of our signature product, the Universal Standards for Social and Environmental Performance Management. I hope many of you have had the chance to visit the 10<sup>th</sup> anniversary page on our website and listen to some of the reflections from people who use, and helped create, the Universal Standards. And I hope you will feel moved to record your own reflections! For now, I would like to turn to my longtime colleague Cécile Lapenu who will provide some context.

### CECILE:

The idea that business can be a force for good is nothing new. And this idea of course is not limited to inclusive finance. Industries from transportation to manufacturing, entertainment to grocery, professional services to hospitality and more—the best companies, the ones that stay in business, have figured out that profit is *the result* of having a good business, not *the purpose*. But even companies that sincerely wish to achieve a higher purpose may struggle to define clear goals, set meaningful targets, and devise an effective strategy. This is why Cerise was founded in 1998. We work with actors in **inclusive finance**, **social business** and **impact-investing** to co-create social standards and social assessment tools that are free to all. We also offer **consultancy services** to all types of mission-driven organizations equipping them with the skills and tools they need to define and achieve their desired impact.

When the Social Performance Task Force came together in 2005, its goals aligned perfectly with Cerise's. The Task Force's goal was to develop a set of standards that would be to social performance as generally accepted accounting principles, or the international financial reporting standards, are to financial performance. That is, rather than working with individual organizations one at a time, the ambition was nothing less than to codify standards for the entire global community of practice in responsible inclusive finance. And the timeframe was open ended. The Task Force knew that the work would be complex, and probably contentious, and that it would only succeed if everyone's voices were heard. So they committed to giving the work the time that it needed—which turned out to be 7 years.

Since 2005, the bottom-up approach, co-building of best practices, collective thinking, very close from the needs of each and every stakeholder, have built a strong framework for action, widely accepted.

In 2012, the first edition was published of what came to be known as the Universal Standards for Social and Environmental Performance Management. The Social Performance Indicators, SPI audit tool, that Cerise had already developed, was ideally

suited to complement this work and SPI4, the 4<sup>th</sup> generation, was fully aligned with the Universal Standards. And now, 10 years later?

Well, numbers tell part of the story. The Social Performance Task Force has thousands of members now, from every region of the world. The great majority of members are financial service providers, investors, TA providers who work directly with low-income, vulnerable clients in developing countries. Cerise has 2,300 registered users on SPI online. More than 1,000 social audits have been conducted for financial service providers who collectively reach more than 60 million borrowers from 100 countries! All of the data we have been collecting over the past 20 years is a treasure that we can tap to understand the value of social and environmental performance management—what works, why it works, how to make difference in the real lives of low-income people. In an industry that has been criticized for over-reliance on anecdote and guesswork, Cerise+SPTF has the data that companies need to make sound business decisions and that the global community needs to implement solid social and environmental strategies.

Numbers and data tell part of the story. People tell another part. As part of our 10<sup>th</sup> anniversary activities, Cerise+SPTF commissioned a stocktaking survey of all stakeholders about their experiences with social and environmental performance management. Eight key lessons learned emerged.

## LAURA

**#1 Customer-centricity is the key to it all.** This is practical, not idealistic. No business survives for very long without making their primary focus to understand their customers, deliver what they need and value, and make sure that they stay connected—because clients' needs and priorities can and do change. This work takes on heightened importance when the customers are low-income or vulnerable populations. But the principle is the same, and it is easier said than done. The temptation is always there to make this quarter's sales targets now, and reprioritize the customer later. The providers who resist that temptation emerge the winners: with loyal staff, loyal customers, and better outcomes.

## CECILE

**#2 A social strategy is possible, based on concrete practices.** When we started this work 20 years ago, a lot of people thought social performance management was too complex—too subjective, too dependent on individual institutional-level priorities—basically impossible to standardize. And although it is true that institutions do—and should!—define their own priorities, based on *their* customer profiles, *their* regulatory environment, *their* stage of institutional maturity and a host of other variables—the fact remains there is a roadmap now. The Universal Standards and the audit tools can help you understand with great precision where you are now, relative to where you want to be, and can deliver concrete guidance, step by step, to take you where you want to go.

## LAURA

**#3 Good governance and strong leadership are critical.** Each and every successful example of strong social and environmental performance management had this in common: buy-in and champions at the very highest levels of the organization. What our experience suggests is that when social performance management is “a project” that gets delegated, or an isolated staff being in charge, then the effort fails. To use an analogy, it can’t be an app, it has to be the operating system. It is nothing less than a culture. Cultures are instilled by the leadership, and the culture drives everything the organization does.

## CECILE

**#4 Long term, all actors along the value chain must be engaged.** This includes raters who agree to evaluate the same things, according to the same criteria, for all aspects of social and environmental performance management, crucially including client protection. It also includes financial service providers and impact investors. However, balancing the tension of competing priorities continues, particularly when considering financial returns. Taking a customer-centric approach to the business case of a financial service provider or social business often requires holding a long-term time horizon. Some shareholders may take only a short-term perspective, and it is vitally important for all parties to any transaction in inclusive financial services to be both realistic and transparent about their expectations.

## LAURA

**#5 Self-regulation can only take you so far.** Market dynamics are affected by many more actors and forces beyond the goodwill and social intentions of explicitly purpose-driven financial service providers. There is a significant role for strong regulation in protecting consumers. Regulation can be particularly effective for financial inclusion and low-income customers when it takes customer outcomes into consideration. Regulation that seeks to guide markets, temper profit maximization that leads to over-indebtedness, and is risk-based and proportional can be enormously effective in supporting a healthy financial system that functions for the majority.

## CECILE

**#6 Local ownership and market context matter.** The stage of a particular country’s economic and policy context, its depth of financial inclusion, the competitive forces, and the regulatory environment all form the backdrop in which purpose-driven organizations operate. Country contexts are also subject to changing forces, external challenges, and internal crises. So there is a need to deeply understand local market contexts, and to leverage local knowledge and empower local actors to develop and implement their own strategies. There is also great value in markets learning from each other, as Cerise+SPTF have witnessed first-hand for years, in the peer learning exchanges we have organized.

**#7 SEPM builds loyalty and resilience and that matters a lot, especially when the chips are down.** Since the inception of our work, and again recently in interviews, stakeholders referred to clear examples from past crises that tested their resolve and resilience—and where their commitment to their customers and their social strategy paid off. From “no pago” movement in the early 2000s in Bolivia, to conflict in Georgia, economic and currency crises in Lebanon, flooding in India, and health crises including Ebola and COVID, purpose-driven providers demonstrated that caring for staff and customers created a deposit of goodwill and loyalty that could be tapped and contributed directly to institutional resilience. We are also, all now, confronted with the urgent reality of climate change. Any effective response is going to demand that everyone do their part to change patterns of consumption and behavior—and change is hard. The basis of social performance management—having a strategy, strong governance, understanding needs and preferences, balancing competing priorities—lays the ground for the much-needed work on Environmental Performance Management.

#### **LAURA**

**#8 We go farther together.** The work of this decade has been a participatory, collaborative journey with a growing, changing, innovating and diverse community. Updating standards has been undertaken with thoughtfulness, respect for different needs, and care. Like the original publication, each update has taken patience and time. We have engaged with customers and financial service providers themselves; we have listened to the needs of investors and other stakeholders. And investors have found that working together, in a unified manner, creates efficiencies, amplifies their voice to standard-setting bodies, and contributes to greater harmonization of social and environmental performance standards. We continue to believe that we go farther, if we go together.

#### **CECILE**

Speaking of going farther together . . . as I mentioned earlier, Cerise+SPTF have been collaborating closely together already for nearly 20 years. We have always shared common goals, and our signature products are totally complementary—the Universal Standards which provide let’s say the roadmap to guide you where you want to go, and the SPI audit tools which provide the dashboard to tell you “are we there yet?” We will offer a full range of products with the new Universal Standards, stay tuned for Jan 2023. And we decided last year to formalize our long-standing history of cooperation, and so we signed a Memorandum of Understanding. The now-formalized Cerise+SPTF joint venture operates under a common strategic plan, and shares staff and resources.

You never know going in how these things will play out. But I am happy to say that the wisdom of this move is already becoming apparent. And the goal of course is not to make our own lives easier, but yours. The more coordinated and streamlined our operation is, the more you can focus on your work and not just on reporting or data collection or endless questions about implementing nice but theoretical principles. And the more you can move on your work, the better for your clients.

Our joint venture comes at a time when many of the “public goods” institutions that served inclusive finance for many years have disappeared from the scene. Some, such as the Microfinance Information Exchange, or MIX, have merged with other institutions. Others disbanded. The SMART Campaign has closed and Cerise+SPTF have created from 10 years of experience the Client Protection Pathway to continue promoting much-needed practices for Do No Harm Standards. This story of mergers and consolidation is a common feature of a maturing industry. And make no mistake—a mature and effective industry is more important than ever, because responsible inclusive finance is more important than ever.

We have 7 years now remaining to achieve the Sustainable Development Goals. Inclusive finance is not itself a named goal—but it is explicitly named as a necessary enabler for the achievement of 15 out of the 17 total SDGs. This comes as no surprise to anyone in this room, I suspect. The goals that the world has set for itself are largely the same ones that families have for themselves—good nutrition, education, safe shelter, medical care, decent work, and so forth. Financial inclusion alone cannot deliver these things—but they won’t happen without it. And the SDGs, unanimously ratified by every United Nations member state, recognize this reality.

## LAURA

The Sustainable Development Goals are ambitious by design. That is their function—not to fine tune around the margins, not describe the world we think we can deliver, but to describe ***the world we can all agree that we really want***. It may not happen even if you say it out loud. But it definitely won’t if you don’t.

As Cécile mentioned, the task of codifying responsible social performance management practices was seen as impossibly ambitious, also. And yet, here we all are. So I’d like to leave you with a couple of thoughts—and also a request.

First—this is not a retail-level operation anymore. When we started, the Task Force was a small group of deeply committed, tenacious people and we all very much had that start-up mentality. We stayed in start-up mode for 7 years—and then we launched the Universal Standards, and the Standards immediately had a major positive influence, institution by institution, as financial service providers started using them for a 360-degree review and refinement of their businesses.

But the true power of this work lies in its ability to shape financial markets. Just as financial service providers had been struggling to identify what, concretely and specifically, to do in order to manage social performance, so too had regulators and policymakers in developing countries been struggling to craft effective frameworks. The Universal Standards provided the blueprint. In countries as diverse as Cambodia, Philippines, Egypt or Nicaragua, regulators have supported and incorporated the Universal Standards into the regulations that govern inclusive finance, effectively giving the Universal Standards the force of law in those markets.

Important changes don't happen quickly. And just because there are laws in place doesn't mean no one will ever violate them. But I'd like to remind everyone of something we were all very focused on earlier this summer. A pair of reporters from *Bloomberg* published a series of investigative stories highlighting client exploitation and abuses among inclusive finance markets from Cambodia to Jordan and beyond. It was painful reading. And to the extent it suggested that these isolated cases were the whole story, it was frankly unfair..

Then a separate story appeared in *Forbes* to tell the other side of the story. Rather than cherry-picking the most tragic and dramatic client stories, the *Forbes* article was based on the work 60 Decibels had done to interview more than 18,000 clients in 41 countries. And that research, highlighted in the *Forbes* article, found that inclusive finance directly improved standards of living, and that repaying loans was not unduly burdensome for the vast majority of clients.

We were of course happy and gratified to have those research findings featured in a publication as prestigious and widely read as *Forbes*. But here is the important piece of the story that remains to be told—that needs to be shouted from the rooftops, over and over.

The providers in the *Forbes* story—the ones with the clients who are thriving—are providers who follow the Universal Standards. The ones in the *Bloomberg* series are providers who do not. It really is as simple—and as profound—as that.

Like many of you in this room, I am a parent. And it is so hard to register how much your children have grown and change when you see them every day. It is only when you look at old photos, or when distant family come to visit once a year, for the reality to register—wow, you are not a little child anymore.

I think there is something similar happening with social performance management. So many of us in this room were present at the birth, so to speak. But this work is now mature. It is still shaping the retail-level practices of individual institutions, yes, definitely. But it's also shaping markets now. And it is having global impact, in the real lives of low-income people, as the 60 Decibels research makes crystal clear.

The challenge for us all now, I think, is to recognize our own strength and decide how best to use it. It's a good problem to have! But it's still a problem. There is real risk in thinking too small, in remaining in start-up mentality forever, in being too modest, in not knowing your own strength.

Possibly the most famous start-up origin story is Microsoft's—we have all heard about Bill Gates' parents' garage. But, so the story goes, when Microsoft was still in start-up phase, the team was challenged to come up with what they called the Big Hairy Audacious Goal. And what they came up with was: "*In our lifetimes, computing will be*

*for everyone. Every home and business will have a personal computer and will use computing for daily life.”* At the time, it sounded like science fiction.

And yet here we all are.

So here is the request. As you go about today’s sessions, networking with each other and hearing others’ experiences, I’d like you, in the back of your mind, to be thinking about the next 10 years’ big hairy audacious goal, also. When we reconvene in the closing plenary, we will be exploring this more.

But as you do so—let your reflections be shaped by this understanding that the child is an adult now. We have a global footprint. We have a strong track record, backed by rigorous data. We have influence.

It’s up to us to decide how best to use that influence. Let us make no small plans.

Thank you.