The All-Party Parliamentary Group on Microfinance

HOUSE OF COMMONS
LONDON SW1A 0AA

'Risk and Reward: driving social impact through microfinance investments'

9th May 2012, Room M, Portcullis House

Participants in the meeting were in broad agreement that social performance needs to become much more central to investment decisions in microfinance. The vast majority of organisations present are using social performance assessments as part of their investment decision-making process, but the depth varied. Participants broadly agreed that the minimum all investors should be doing is ensuring that the meet client protection principles to 'do no harm'. Some participants felt that 'do no harm' is not enough, and Mon Gonzalez, representative of AECID, stated that all investors should meet CGAP's 11 basic principles on microfinance. Ben Simmes of Oikocredit and Roland Dominice of Symbiotics argued that we need to go beyond 'do no harm' to look at positive impacts.

An important suggestion that was echoed by many participants was Claire Innes from DFID's argument that social performance and financial performance are closely related and that good social performance leads to good financial performance. It was argued that we need to demonstrate this more widely, and that it is one of the best ways to ensure that MFIs adopt robust social performance mechanisms into the core of their business practices. Claire Innes argued that if we had been doing this better, we might not have seen the problems that occurred in Andhra Pradesh and other markets.

The importance of listening to and knowing the clients was repeatedly stressed. Ben Simmes argued that one way to ensure that this happens is to look at the ownership structure of MFIs, as MFIs that are part-owned by clients have a powerful mechanism for client voice. This is a factor that is covered in Oikocredit's Environment, Social and Governance (ESG) Scorecard, which he shared with the group.

A range of different investors were present, and several of the investors on the more commercial end of the scale made the point that many of them have seen financial losses in recent years, often due to political and regulatory crises. It was argued by several participants that better focus on social performance may also help with these problems because of the close link with financial performance.

Many initiatives for improving the focus on social performance were mentioned. Oikocredit outlined their detailed programme in this area. Several participants argued that we need further standardisation of the indicators investors are asking MFIs to report on because the burden of reporting on so many is huge. DFID's SIMBA programme is attempting to contribute to this process through working with MixMarket to develop a set of standard indicators. However there was general agreement that reporting and indicators are not the most important factors – the most important thing is whether MFIs incorporate social performance into the heart of their businesses. This can and should be pushed by investors (for example through initiatives such as Oikocredit's ESG Scorecard, which looks at the structure and governance of the MFI as well as tracking indicators, or the UNPIIF) but the best thing we can do is to make the business case for it.