

SPECIAL FEATURE

Looking Back to Plan Ahead - The Year of AFISAR®

AFISAR® (the Agents for Impact Sustainability Alignment Rating) builds trust and credibility in the microfinance sector. With our partners, we engage in an active rating process, inspiring discussion and increasing awareness and understanding of the UN's SDGs and environmental, social and governance (ESG) factors, taking a deep dive into the potential of finance to transform people's lives, especially the lives of members of vulnerable groups. Placing active dialogue at the centre of the AFISAR® rating process, we address sustainability with strategic decision-makers and support our partners to further align their operations to the SDGs.

Having clocked five years of rating experience, culminating with the Year of AFISAR® in 2022, we would like to share some reflections:

Local presence is key Our rating team has grown bigger and stronger: we have a new colleague, Abhinav Soni, who is based in India and brings profound experience and familiarity in the microfinance sector. This helps us to stay close to our partners in Asia and Africa - and India in particular - a region that has always played a prominent role in the sector and comprised a considerable share of our portfolio.

Easing COVID-19 restrictions provided us the long-awaited opportunity to rekindle our ongoing partnerships and establish new ones - thereby gaining insight into the mammoth efforts our partners are expending on the ground. Coming in close contact with the day-to-day realities of our partners - as well as their clients - helps us bring more depth to the AFISAR® rating process.

Impact is not a one-way street With continuous engagement, dialogue, interviews and management workshops, we ensure that our partners are able to elicit learnings from the AFISAR® rating and prioritize areas for improvement. Including interactive elements in our rating process helps us achieve a collaborative atmosphere and carve out a space for shared learning and exchange. As such, we can track our partners' impact journey over a longer period. That is part of what differentiates us from other rating companies: leveraging the potential of the entire rating process by making it more dynamic, engaging and unique to truly respond to our partners' needs. The AFISAR® tool itself, as well as the rating committee, brings a unique interdisciplinary lens and set of competencies to assess and identify products, services, practices and policies that may be having positive or negative effects on development challenges such as poverty, climate change and gender equality.

Knowledge creation and management have been a priority area for Agents for Impact since its inception. Our agents regularly upgrade their skills via external education programmes, in-house trainings and team retreats covering AFISAR®-related issues. In these sessions, the SDGs stand at the forefront so our agents are well-equipped to interact with our partners on the ground. We also participate in knowledge creation through panel discussions, presentations and facilitated webinars under the EU's EaSI TA and EIB's SIFTA Webinar Series, organized by the Microfinance Centre (MFC). We engage in academic circles by publishing articles and book chapters, and we produce podcasts and interviews that we disseminate through popular channels such as MicroCapital. It is important for us to give a voice to our partners, and these interviews are a great platform for articulating how AFISAR® has inspired their institutions, changed mindsets and transformed practises.

Chamroeun Microfinance Plc considers itself - first and foremost - a development institution. Its products and services are all geared towards positive social, economic and environmental outcomes. In this regard, Chamroeun has been exploring its alignment to global efforts aiming to frame the path towards these outcomes, and the SDGs provide an effective framework for this. Chamroeun accordingly reached out to Agents for Impact for their AFISAR® tool as a way to explore if it would provide an effective and reliable way to ascertain our compliance and alignment to the global SDG efforts. The Agents for Impact team was very supportive and professional and guided us throughout the process. We were very happy to see Chamroeun perform so well in its contribution to the SDGs, and we will look to continue improving our efforts accordingly, in partnership with the AFI team.

-Yannick Milev, CEO, Chamroeun Microfinance

Tool development Our AFISAR® tool is constantly evolving, with the aim of providing our partners with the best user experience to help them visualize and relate to their impact journey. In 2022, we completed our long-standing plans to set up a digital version of the AFISAR® questionnaire. We have incorporated interactive features that make the entire experience more engaging - and even fun! To realize this mission, we partnered with HEDERA, another Germany-based impact start-up.

Flexibility - the more the merrier Our partnership and service models are constantly evolving. We were quick to realize the dynamism of our client base and changing regulatory landscapes require that we offer flexible services. Our partners' needs differ widely, so we curate each package accordingly.

Special offers - we promote impactful organizations In our mission to reach MFIs with the highest impact potential, we have designed a range of special offers, sometimes providing AFISAR® for free. We will continue to engage in creative ways to identify how we can use such measures to benefit more MFIs that operate in difficult contexts or are struggling with short-term challenges.

Reflections Our experience so far shows that topics such as environmental degradation and climate change are not yet adequately prioritized in the microfinance sector. We are dedicated to using our tool in an engaging manner not only to signal the importance of such issues but also to mainstream them into the sector.

Microfinance and financial inclusion, having been explicitly mentioned in the SDGs as tools for alleviating poverty, must pay heed to it. This change - however slow - is coming. Through our dialogues and partnerships, we continue to bridge this gap and tap into the huge potential of microfinance to contribute to sustainable development.

We invite you to reach out to our team at ratings@agentsforimpact.com and to watch this space for more AFISAR®-related information throughout 2023!

This article has been co-authored by Pratibha Singh, SDG Rating Analyst, and Manuela Fritzsche, Director ESG Risks & Impact, (both pictured), and it is sponsored by Agents for Impact.

