

## SPTF Social Investor Working Group

Minutes - April 24, 2020

### Overview

The SPTF Social Investor Working Group (SIWG) held a special session to discuss proposed investor frameworks for coordination during the COVID crisis. Minutes are below. Visit the SIWG [webpage](#) to find minutes from our regular biweekly meetings, investor update briefs, and details for upcoming calls. Email Katie Hoffmann at [katiehoffmann@spf.info](mailto:katiehoffmann@spf.info) with any questions.

### Speakers

- Paul DiLeo, Managing Director, Grassroots Capital Management
- Ira Lieberman, LIPAM International Inc and Author of *In Good Times Prepare for Crisis*
- Frank Streppel, Head of Global Investments, Triodos Investment Management BV
- Jarri Jung, Head of Financial Institutions, Triple Jump

### Overview of frameworks

The group discussed three proposed frameworks for investor coordination during COVID-19:

- Paul and Ira discussed their proposed [microfinance investor strategy during the COVID crisis](#), which was published on FinDev Gateway earlier this month.
  - The proposal includes several concrete recommendations, such as starting with an immediate 90-day standstill and then developing a rescue strategy, centralized steering committee, and crisis units within 30 days.
  - On the call, Paul and Ira identified key measures that have worked in past crises, including:
    - clear communications among all stakeholders
    - clarity regarding conflicts
    - neutral party that can articulate and reemphasize basic principles
    - careful treatment of depositors
    - ex-ante agreement on preferred creditors
    - protection of new money
    - flexible and equitable burden-sharing.
- Frank and Jarri provided an overview of a draft MOU from a cooperation of leading MIVs (*BlueOrchard, Developing World Markets, Oikocredit, Incofin, responsAbility, Symbiotics, Triodos IM, Triple Jump*). **The finalized MOU is available [here](#)**. If MIVs are interested in joining, supporting, or endorsing the MOU, email [Frank.Streppel@triodos.nl](mailto:Frank.Streppel@triodos.nl) for more information.
  - The MOU is focused on coordinating refinancing on the short- to medium-term. It is not a long-term solution, but the MIVs see an urgency to address the immediate issues investees are facing.
  - It is meant to be as light as possible. It is guidance for the MIVs, not a binding agreement.
  - The MOU places deals into four main categories. The need for investor coordination increases with each category.
    1. Ordinary renewals fresh loans, waivers for going concern clients that can sustain themselves with informal MIVs' coordination
    2. Informal handshake rollover /moratorium /payment holiday. These going concern clients will need support from a wider group of lenders in an informally coordinated manner.
    3. Legally binding forbearance agreement and rollover requiring more formally coordinated, binding support to the client.
    4. Ordinary restructurings resulting in a Restructuring Agreement and workouts. Going concern is at stake.
  - Key principles of the MOU: transparency (prefer multilateral exchanges to bilateral exchanges), pragmatism, tolerance, no general critical mass, understanding that local lenders may not agree, ranking, focus on principal, no prepayments, waiving breaches, and non-acceleration.
- Edouard Sers (Grameen Credit Agricole Foundation) noted another group of 22 MIVs is about to agree on a pledge. It will be finalized shortly and will be shared with the SIWG. The pledge:

- Builds on the IAMFI principles from 2011. The group has agreed that there should also be sections on client protection and social performance management.
- States that the signatories commit to comply with key principles: pooling available information, analysis and anticipations, and concerted implementation of shared decisions
- Focuses on Tier 2 and Tier 3 MFIs. It aims to address the economic crisis on fragile populations.
- Is complementary to the draft MOU from the MIVs. Edouard noted that the former is more based on principles while the latter is more pragmatic.

### **Discussion points**

- All parties emphasized the need for a coordinating body to articulate and disseminate guidelines.
  - Several participants recommended CGAP as a convening body.
  - Several participants identified the need to engage DFIs in these ongoing conversations.
  - Deborah Drake (FIEC) noted it could be helpful to form working groups on specific countries.
  - Deborah also noted that it is important to hear from smaller MIVs, in addition to larger ones.
- Participants differed on the need for a neutral arbitration panel.
  - Ira advocated for it. He noted that in past crises, such as with Banex, investors could not agree, and workouts stalled. Eventually, the regulator took over and investors lost much of their money.
  - Paul agreed on the need for outspoken oversight and monitoring by a respected and neutral party to reconcile all the different stakeholders to their contribution to equitable sharing of burden and losses.
  - Jarri and Frank disagreed on the need for a neutral arbitration panel, noting that they think workouts should happen on a deal-by-deal basis. Investors could rotate who takes the lead on each deal.
- Jarri noted next steps should also include technical assistance and fresh liquidity.

### **SIWG next steps**

- SIWG will distribute the MOU and the pledge as soon as they become publicly available.
- SIWG will work to convene DFIs to discuss this issue, whether through our own forum or a partners' forum.
- The SIWG will next convene on Wednesday, April 29 at 9 a.m. ET for its standing, biweekly call. The focus will be on aligning with the Crisis Assessment Tool (CAT), which the informal cooperation of MIVs has also discussed. Find call information [here](#).