

Summary of the first day of ADA's Virtual Debate

The participants in the first day of ADA's Virtual Debate (March 1st) have identified certain factors that could explain the concentration of foreign microfinance investments in a limited number of large and mature MFIs. Especially, the all too strict application of market principles by MIVs, the loss of their social mission, eventual risks associated with the investment in smaller and less mature MFIs, and these MFIs' limits in terms of performance, transparency and management, were mentioned as possible reasons.

Solutions proposed by the participants included the clearer definition of the criteria for socially responsible investment as well as their promotion, and capacity building measures, also via professional associations and eventually a tutoring system for the smaller and less mature MFIs.

Summary of the second day of ADA's Virtual Debate

During the second day of ADA's Virtual Debate (March 2nd), the participants have mentioned a series of consequences that could flow from the concentration of microfinance funding in a limited number of MFIs. On the one hand, under the pressure of investors and important capital flows, the large MFIs might risk to foster their financial objectives to the detriment of their initial social objectives. On the other hand, the high potential of smaller MFIs, who reach other segments of the population (rural, more deprived etc.), remains unacknowledged and unexploited.

Suggestions for future action include: the promotion of a dialogue between MFIs, investors, development organizations and public authorities, in order to revise microfinance funding criteria, to better take into account the potential and social performance of smaller MFIs.

Summary of the third day of ADA's virtual debate

The participants of the third day of ADA's virtual debate (March 3rd) noted that in the current context of crisis, this is even more important that investors get deep information on the MIVs' investment policy and, that the latter, get precise information on financial and social performances of MFIs. Thus, ratings and labels have an important role to play to increase the transparency of the sector.

The discussion was mainly about ratings and especially on their standards of evaluation (capacity of repayment of clients, governance, etc.). We discussed also how we could enable smaller MFIs to have access to ratings (price reduction, cofounding system with several stakeholders, adaptation of evaluation standards to different categories of MFIs, etc.).

Another key point of the discussion was the possibility for MFIs to propose, next to business loans, consumption loans which would also answer vulnerable population needs, but with a relevant analysis to prevent from having too high repayment risks.

Summary of the fourth day of ADA's Virtual Debate

The participants in this fourth day of discussions (8th March) underlined that both the funding by MIVs as well as technical assistance (TA) are important needs of MFIs. The opinions, however, were divided between those that would support a separation and those that would support a combination of TA and funding.

As advantages of a combination, the participants mentioned: the alignment of TA and funding for a better, more holistic development approach towards MFIs; the reduction of risks on the investments of MIVs; and the possibility of allocating one part of the MIV profits to TA purposes, thereby being able to support the large, mature MFIs already in their portfolio, but also to create opportunities for future investment in high potential newcomers.

Some disadvantages were also brought forward: taking into account the concentration of funding in a limited number of MFIs, there also seems to be a risk of a concentration of technical assistance in these same MFIs; another point is the influence of MIVs on the (social) objectives of MFIs and the possible loss of autonomy by these MFIs; and a final point is the difficulty for MIVs – maybe more than for public actors – to provide well-adapted technical assistance services in the first place.

According to some of the participants, an alternative would be the coexistence of structures that offer a combination of TA and funding, as well as of structures that offer only the one or the other – the most important question being how to find a mix that best suits the specific needs of each MFI.

In order to gain access to the offer of these diverse actors, in terms of funding just as well as in terms of TA, the participants finally underlined the importance (especially, but not exclusively for smaller and younger MFIs) to foster the alliance of MFIs in networks or associations.

Last day of ADA's Virtual Debate

The last day of ADA's Virtual Debate (March 9th) was an occasion for the participants to propose concrete actions to be undertaken by the different microfinance actors:

- **MFIs:** to comply to the rules of best practices; to better communicate about their practices via different tools (websites, annual reports etc.);
- **MIVs:** to establish true partnerships with MFIs and to act as responsible investors; to define their investment criteria accordingly;
- **Professional networks and associations:** to provide various services to MFIs (information, training, consulting, financial support, technical assistance etc.); defend the interests of MFIs towards public authorities and other parties involved;
- **Public authorities:** as for the classical financial sector, stronger implication of public authorities in the definition of strategies for the development of the microfinance sector (especially concerning regulation on a national and international level) and better dialogue with other microfinance actors.

These different proposals will be analysed in some more detail in the Follow-Up Paper which will be published by ADA in the months to come