

Reducing Barriers for Investment in Microfinance: The Role of Structured Finance, Rating & Benchmarking

21 – 22 September 2006*
KfW Entwicklungsbank, Frankfurt am Main

* two half day sessions: 21 Sept. from 13:00 hrs to 22 Sept. 14:30 hrs

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Working title	Reducing Barriers for Investment in Microfinance: The Role of Structured Finance, Rating, and Benchmarking
Background	<p>The landscape for investments in microfinance has changed tremendously over the last decade. While donors are still the primary investors, they have been increasingly successful in leveraging commercial and private sources. Microfinance funds are the best known vehicles, but structured finance, including securitisation, have started to enter the scene. A key constraint for investors has been the lack of confidence or the perceived risk of microfinance, partly due to lack of information and lack of standards. Another constraint is the typical size of investments – too small for institutional investors and too big for retail investors. Recent developments and thinking – such as in structured finance, about qualitative ratings of funds, and rating and benchmarking guidelines, for instance – are pointing in promising directions. The workshop will be a platform to explore the latest developments and to forge new connections for continued innovation.</p>
Topics	<p>The key questions for presentations and discussions at the workshop are:</p> <ul style="list-style-type: none">• what are the main barriers for investments in microfinance?• how can we (e.g. donors, IFIs, rating agencies) create sustainable ways for private investments in microfinance - by institutional investors and by individuals?• how and under what conditions can structured microfinance funds and securitisation attract investors by mediating high country, counterparty, or currency risks?• what can rating and benchmarking contribute to reducing investment barriers – through reduced information asymmetry and increasing transparency in risk and return assessments?• what new frontiers and opportunities do the current innovations and developments point to?
Goal	<p>The goal is to bring together a mix of stakeholders that has the potential to build on existing or forge new connections to advance the investment in microfinance. The foundation for dialogue will be presentations on the latest developments in microfinance investments (both debt and equity) through funds, structured finance and special purpose vehicles (SPVs).</p>
Method	<p>Presentations and discussions of microfinance investment funds, structured finance initiatives, and ratings with extensive discussions.</p>
Participants	<p>Around forty leaders in the fields of finance, banking, rating and development with international experience and decision-making power.</p>

Products

The workshop materials and findings will be published on the internet.

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AGENDA

Session 1: Introduction – What are Main Barriers for Investments in Microfinance?

- background & scene setting
- evolution of demand for debt and equity funding in hard & local currencies
- discussion of main barriers for investment in MFIs (high country risk, high perceived counterparty risk of MFIs, currency risk, low transparency of MFIs, single investments too large for retail and comparatively small for typical institutional investors)
- *short presentation & panel of investors and investees (FMO, ResponsAbility, SIFEM, FINCA, otbc)*

Session 2: Tackling the Barriers I - Through Innovative Fund Structures?

- how and under what conditions can structured funds attract investors by mediating high country, counterparty, or currency risks?
- *presentations and discussions of examples (European Fund for Southeastern Europe (EFSE), Global Microfinance Facility (GMF), FMO Local Currency Fund)*

Session 3: Tackling the Barriers II – Through Securitisation and Structured Finance?

- how and under what conditions can securitisations attract investors by mediating high country, counterparty, or currency risks?
- *presentations and discussions of examples (ProCredit Bulgaria, BRAC Bangladesh, BOLD / Blue Orchard)*

Session 4: Reducing Investment Barriers - What can Rating and Benchmarking Contribute?

- what can rating and benchmarking contribute to reducing information asymmetry and increasing transparency in risk and return assessments?
- *short presentations and panel discussion (CGAP, rating agency, microrating agency, KfW)*

Session 5: Reducing Barriers to Microfinance Investment – What Next?

- synopsis of discussions and where does it lead to?
- *panel discussion (discussant from each session)*