

THE GLOBAL RATING & ASSESSMENT SERVICE:



THE GRASS INITIATIVE

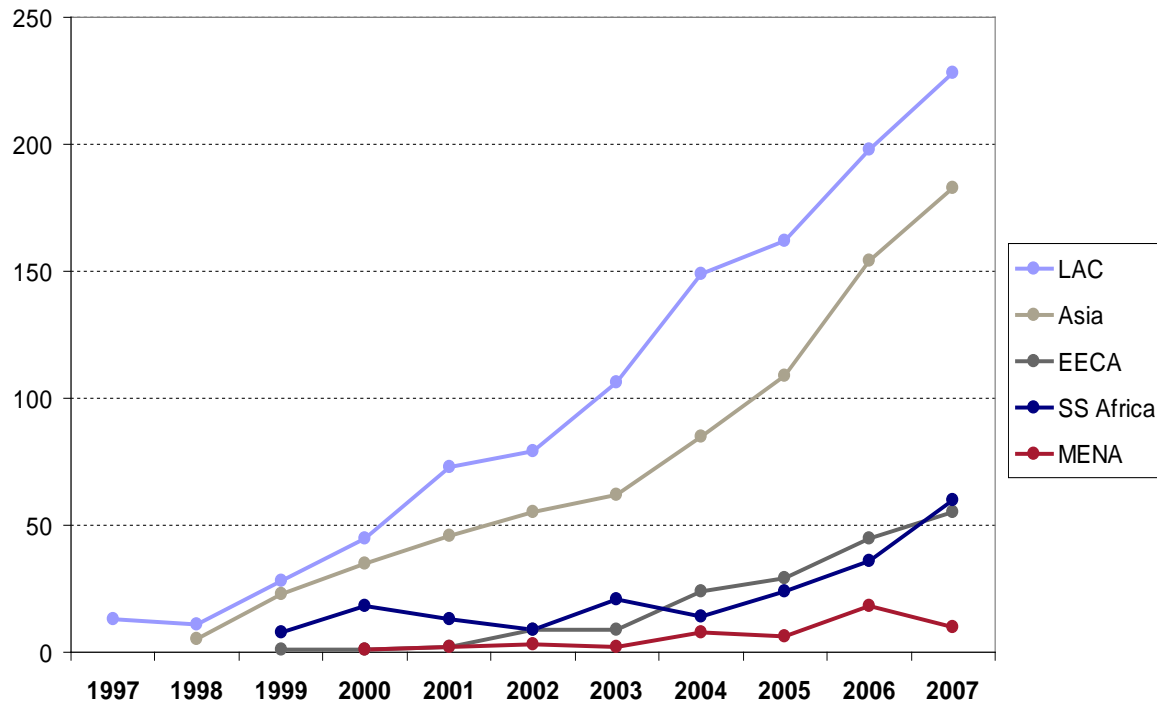
*A PUBLIC AND PRIVATE PARTNERSHIP
TO PROMOTE RATINGS AND
TRANSPARENCY IN MICROFINANCE*

Presented by ADA asbl, Luxembourg

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CURRENT RATING MARKET OVERVIEW

Source: Rating Market Outlook Report 2008, ADA-KPMG



- In 2007, we had a total number of rating of **539** (with **19 social ratings**). Since 1997, **1003 MFI have been rated**
- The rating market grew at a rate of **19% in 2007** and **32% per year since 2003**
- **LAC and Asia represent 78% of the rating market meaning EECA, SS Africa and specially MENA are underserved regions** with only 22% of the market

WHY CONTINUE TO CO-FUND RATINGS ?

For Financial ratings

- 1) Give newcomer MFIs the opportunity to experience **first hand** the benefits that ratings and transparency bring
- 2) Help to avoid these **regional rating gaps** by enabling MFIs, **especially young and small**, to overcome the initial cost barrier
- 3) Address the lack of available transparent information on MFIs by helping **more institutions** to enter the market

For social ratings: support the establishment of a social rating market for MFIs, and drive in the long term to the double bottom line, **a cost-efficient way to rate.**

CO-FUNDING RATINGS

In order to best respond to these issues, **ADA is jointly launching the GRASS Initiative** which will :

- 1) Create a facility made up of a public-private partnership.
- 2) Co-fund a **first or second rating**, be it a **financial rating** (credit risk/assessment/mini/diagnostic etc.) for **small to medium MFIs**, and /or a **social rating**.

OBJECTIVES

- **Objective 1:** Promote and contribute to the establishment of a financially viable, sustainable microfinance rating market both from the demand and supply side **in underserved regions or markets.**
- **Objective 2:** Address in the long term the lack of available, transparent information on MFIs for investors, donors, microfinance stakeholders etc. and for the MFIs themselves.
- **Objective 3:** Ensure the availability of market studies on the microfinance rating sector in general.

MAIN FEATURES

- **Duration:** 4 years
- **Aim:** To encourage at least 800 new MFIs to have entered the rating process around the globe within this time frame
- **3 types of activities:**
 - A rating subsidy service (for **financial** ratings and/or **social** ratings)
 - **Awareness-raising** (with a distributed regional focus)
 - **Rating market information** and studies (Rating Market Outlook report/ compilation of feedback from rated MFIs etc.)

Governance and Administration

○ **The Steering Committee :**

- **Is composed of a mix of public and private stakeholders**
- **nominated by the initial funding institutions**
- **Exercise governance of the initiative and take strategic decisions**
- **Meet twice a year**

○ **Proposal to establish an Advisory Boards (for financial for social rating):**

- **Actors concerned : MFIs, rating agencies, members of the social Task Force, Investors, etc.)**
- **These groups should meet twice a year to give the steering committee recommendations on elements such as products, criteria for eligible MFIs and rating agencies.**

GOVERNANCE & ADMINISTRATION...

Administration will be undertaken by ADA as it

- Is launching the GRASS initiative with a commitment of funding
- Has extensive experience in managing subsidy funds and a long-term involvement in the topic of microfinance ratings. Since 2004, ADA
 - Has dealt with **over 250 grant allocations to MFIs**
 - Has disbursed over US\$1.7 million in grants

BUDGET

- **Total estimated initial budget :**
 - Just over €4 million for the 4 year period
 - Of this total budget:
 - €3,115,000 will be dedicated to ratings
 - €80,000 for awareness-raising activities
 - €180,000 for website and production of market information
 - Based on the co-funding of a minimum of **100 ratings per year** (includes both social and financial ratings).
 - **ADA will contribute €1,000,000 to the initiative over the 4 year period and will cover the majority of the total administration fees.**
 - **96% of all funding from other stakeholders will go directly into funding the initiative's activities.** The remaining 4% will go towards covering a small part of administrative costs.

Involve interested partners

GRASS had its first steering Committee in september 2008 with the following institutions:

- ADA with the support of the Luxembourg Development Cooperation
- Swiss Development Cooperation
- The European Investment Bank
- The Microfinance initiative Liechtenstein
- Responsibility
- Oxfam Novib (MicroNed)

**But Other public or private institutions are still welcome to
join the GRASS Initiative**

Don't hesitate to talk with me

David QUIEN

Responsible of the Program- ADA

Tel: 00 352 45 68 68 24 - Mail: David.ada@microfinance.lu