



Broadening Your Prospects

microfinance rating and assessment fund





Within the last 12 months, the Rating Fund has committed funding to over 100 MFIs for ratings and assessments.

The Fund also provides MFIs with a choice of 12 pre-qualified rating agencies.



A rating report was a valuable source of information for NOVIB's decision-making process for the investment with Confianza (Peru).

– NOVIB (*Social Investor*)

MFI Rating and Assessment Fund

WHAT IS THE RATING FUND?

The Microfinance Rating and Assessment Fund is a fund established jointly by the Inter-American Development Bank (IDB) and CGAP (the Consultative Group to Assist the Poor) to provide financing for microfinance institution (MFI) ratings and assessments. It was established to improve MFI performance, promote transparency, and the flow of funding resources to the microfinance industry.

WHAT DOES THE RATING FUND OFFER?

The Rating Fund provides partial financing of rating and assessment services for MFIs. An independent rating or assessment is a powerful tool to mobilize resources from investors and donors. Depending on management needs and the kind of funding sources it wishes to attract, an MFI has a choice of two services under the Rating Fund.

Assessment

Measures trustworthiness by analyzing institutional capacity and performance. It evaluates operational and financial performance and management's capability to meet objectives and fulfill the contractual obligations of a range of stakeholders.

Credit Rating

An opinion of the ability and willingness to pay a specific debt obligation on time. It measures creditworthiness.

HOW DOES AN MFI JOIN THE RATING FUND?

After choosing a rating agency and negotiating a price, the MFI goes through a simple application process that takes at most two to three days to complete. MFIs meeting the fund criteria are automatically approved. The Fund finances up to three ratings: 80 percent of the cost of the first rating, 60 percent for the second

rating, and 40 percent for the third. The actual amount varies per region. In return, the MFI commits to transparency, which makes it more attractive to investors.

HOW DOES AN MFI BENEFIT?

A rating or assessment gives MFI management the analysis it needs to improve performance, and shows investors that the MFI is committed to improving performance, and is a strong candidate for investment.

Improving Performance

Managers can use the evaluation process to focus on how and where to improve. Managers can also more easily compare their performance with peers and evaluate their standing in the microfinance industry.

Attracting Investors

Completing a rating earns an MFI a higher transparency ranking on the MIX Market, which links investors with MFIs. This gives an MFI an enhanced profile, which dramatically opens up pathways to diversified funding sources.

Investors are seeking complete, accurate, and verified information on which to perform due diligence and monitor their investments. They are increasingly turning to the MIX Market as the premier forum to find accurate information about MFIs.

Visit www.ratingfund.org today to enhance your prospects for growth.
You can also e-mail us at info@ratingfund.org or write to the Rating Fund,
c/o CGAP, 1818 H STREET, NW, Q4-400, WASHINGTON, DC 20433.



“Crecer had been trying for long for a loan from CRS. The rating fund report helped expedite the process, and we received \$100,000. Blue Orchard also granted a loan of \$500,000 that could potentially go up to \$2 million, did not ask for collateral and even gave a repayment period of five years. The only requirement it made is for continued participation in the Rating Fund”

– CRECER, Bolivia



“The rating report was used to attract new shareholders and also was used by management to overcome obstacles and weaknesses that appeared on the rating report.”

– MicroFund for Women, Jordan

Matrix of Service Offerings for MFIs		
Criteria		
Type of Service	"Credit Rating"	Global Risk Assessment (or Fiduciary Risk Assessment)
Final product	<p>An opinion of the ability and willingness to pay a specific debt obligation on time. Measures creditworthiness. Analyzes financial strength including operating efficiency.</p> <p>Always has a grade</p>	<p>An opinion of the ability to deliver according to objectives</p> <p>A measure of trustworthiness by analyzing institutional capacity and performance. Evaluates operational and financial performance and management's capability.</p> <p>Some agencies provide a grade, some do not.</p>
Clients	<p>MFIs Lenders/Creditors Commercial investors Regulators/Supervisors</p>	<p>MFIs Lenders/Creditors Commercial investors Donors</p>
Usage	<p>Debt issue – instrument for pricing debt to enable raising funds from capital markets and institutional investors</p> <p>Regulatory compliance</p> <p>Enables comparison of the performance among MFIs rated by the same rater and equivalences are available to compare rating across different rating agencies</p>	<p>An appraisal and monitoring tool for donors and investors. Facilitates access to grants and capital.</p> <p>A diagnostic tool for MFIs' internal purposes</p> <p>Enables comparison of performance between MFIs assessed by the same rater</p>
Public disclosure – General	Mandatory if public issuance	Optional
Public disclosure – Rating Fund	Mandatory	Mandatory – Summary report, financial statements, and accompanying notes at a minimum
Frequency	Yearly and recurrent with quarterly updates until debt redemption	Yearly and recurrent. Some agencies do periodic updates.