

EFSE Annual Meeting 2010 –

Panel III

Investors' role in supporting a stable and responsibly growing financial sector

Eva Terberger, FZ E KfW

Ohrid, Macedonia

09.06.2010

Die Zukunftsförderer



The Microfinance Dream:

The market becoming a driving force of outreach and poverty reduction!




If MFI's are truly cost covering and profitable, the huge refinancing gap of MFIs to meet MSEs' demand can be closed by commercial capital!



Investors' role

Donations / Grants	IFIs	Social Investors	Commercial Investors
<ul style="list-style-type: none">• Institution building support• Risk buffer (MFI-Equity, First loss piece in structured MIVs) to cover investors against risk of unknown asset class	<ul style="list-style-type: none">• Lead investors• Risk buffer (equity and mezzanine capital in structured MIVs)• Governance	<ul style="list-style-type: none">• Bridging the gap between microfinance reality and the market• Filling the refinancing gap	<ul style="list-style-type: none">• Filling the refinancing gap

Financing mix changes more towards commercial capital, the more microfinance meets the market!



After the Financial Crises...

...the microfinance world has become more complicated!

Providing access to finance

Overindebtedness

Investors' role

Support outreach and
growth

+

Protect clients against
overindebtedness

The Key Question:

Too little credit or too much credit?

After the Financial Crises...

...the microfinance world has (not completely) changed!



- **Growth of refinancing funds still is necessary to bridge the financial gap!**
- **It is impossible and does not make sense to completely avoid investment failure and credit risk!**
- **However, the threat of turning to wealthier clients might be less of a mission drift than providing too much credit to those who cannot handle it!**

Therefore...

Donors and IFIs

- **...should not completely change, but adjust the microfinance model they promote.**
- **...should not abstain from promotion of growth, but they have to put more emphasis on consumer protection and financial education.**
- **...have to question whether they should always push for smaller loans and more competition.**
- **...have to be careful not to overburden MFIs and commercial investors with new responsibilities which can be handled better by an adequate legal/institutional framework.**

Thank you!

Die Zukunftsförderer

