

**PRINCETON UNIVERSITY:**  
**Woodrow Wilson School of Public and International Affairs**

**WWS 591g: Country Risk Assessments for Commercial Investments in  
Microfinance**

**Fall 2004**  
**Friday, 9:30 am - 12:30 pm**  
**Robertson Room 020**

**Instructors:**

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**Appointments available upon request.**

**WWS591g: Country Risk Assessments for Commercial Investments in  
Microfinance**

**Course Description:** The workshop students will work on the development of an analytical framework that can be used to structure information for investors on the general market and operating environment for microfinance in a developing country. Three country investment profiles will be developed as prototypes that the MIX can use as prototypes to develop other country investment profiles. The process will involve reviewing available information on particular countries and determining what to present and how to present it for use by foreign direct investors interested in microfinance. Investment fund managers will be interviewed to gain a perspective on their needs and regulators, industry groups and MFIs will be interviewed in country to fill out the understanding of the operating environment and map out what information is available and useful.

There will be on-site travel to India, Ghana and Peru to: (a) determine what the incentives or impediments are for MFIs to disclose their data and make it available on the market; (b) what data aggregators exist at the country level; and (c) what their issues are for collecting and presenting good data. We will incorporate this into the country environment profile.

**Objective:** Students will come away with an understanding of the elements needed to analyze microfinance from a macro-market perspective. They will know what is needed to create the right information infrastructure that can stimulate disclosure and transparency and foster both foreign and domestic commercial investments in microfinance.

## **Week 1. September 10 - Welcome to Microfinance and the MIX:**

- Lead Instructor: Didier Thys

The first session will cover student expectations, MIX expectations and provide a general introduction to the subject of microfinance. The student liaison will also be selected.

### Readings:

1. ROBINSON, Marguerite S., The Microfinance Revolution: Sustainable Finance for the Poor (vol. 1), The World Bank © 2002, read pages 1-102.
2. MURDOCH, Jonathan. "The Microfinance Schism," World Development, 28, April 2000.
3. GIBBONS, David S. and Jennifer W. Meehan, "Financing Microfinance for Poverty Reduction," in Pathways out of Poverty, Kumarian Press (2002)
4. JANSSON, Tor, Microfinance: From Village to Wall Street, Sustainable Development Best Practices Series, Inter American Development Bank, © 2001.

## **Week 2. September 17 – The Commercial Paradigm for Microfinance**

- Lead Instructor – Didier Thys

Students will review the definition of commercialization as it relates to microfinance and the premise for commercializing microfinance. We will review the different types of microfinance institutions that exist and how they fit into the commercialization process. Finally, we will review what a microfinance investment fund is and the role it plays in the commercialization of microfinance.

### Readings:

1. CHARITONENKO, Stephanie and Ismah Afwan, Commercialization of Microfinance: Indonesia, ADB (2003), Executive Summary.
2. GOODMAN, Patrick, International Investment Funds: Mobilizing Investors Towards Microfinance, ADA-Luxembourg (2003).
3. BRUGGER, Dr. Ernst, Microfinance Investment Funds: Looking Ahead, KFW (Forthcoming in 2004).
4. RHYNE, Elisabeth. "Surviving the Crisis: MF in Bolivia, 1999-2002."

## **Week 3. September 24 - The relationship between good information and strong financial markets.**

A general introduction on why a solid information infrastructure is a necessary foundation to the development of solid financial markets; and why solid financial markets are in the interests of the working poor.

### Readings:

1. DESOTO, Hernando, The Mystery of Capital

2. RAJAN, Raghuram and Luigi Zingales, “The Impediments to Financial Development,” Ch. 7 in Saving Capitalism from the Capitalists.
3. Review Tor JANSSON piece from Week 1.

<b>October 1: Workshop Budget Due to Graduate Program Office</b>
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**Week 4. October 1. The process of building good information.**

**Guest Speaker: Blaine Stephens, The MIX**

A general review of norms and standards for understanding data quality and underlying institutional performance. Students will cover issues in data sourcing for microfinance institutions and data quality.

Readings:

1. MIX, Performance Monitoring and Benchmarking: Readiness Assessment Course Manual for Second Tier Organizations: Sections on *data sourcing*.
2. MIX, MIX Monitor Reporting Standards for Microfinance Institutions
3. C-GAP, Microfinance Consensus Guidelines: Guiding Principles on Regulation and Supervision of Microfinance.

**Week 5. October 8. Disclosure and Communication and Action Planning for Surveying Local Country Environment.**

**Guest Speaker: Blaine Stephens, The MIX**

Reviewing the systems that provide access to information in readily digestible form for use by different actors in the financial markets: A general review of issues on disclosure and MFI ratings.

**Readings:**

1. MIX Readiness Assessment Course Manual – Chapter on Action Steps.
2. Sample MF Financial Statements, DBACD, by Planet Rating and MH Chartered Accountants.

**Week 6. October 15. Finalizing Survey Instruments and Interview Plans for Ghana and India.**

**Week 7. October 22. Travel to Ghana and India**

**Break Week. October 29. Fieldwork in Ghana and India**

**Week 8. November 5. Review of Field Data**

**Week 9. November 12. Review of Field Data**

**Week 10. November 19. First Drafts of Country Assessment Frameworks due.**

**Week 11. December 3. Further discussion of Country Assessment Frameworks.**

**Week 12. December 10. Final Report Presentation to The MIX Board and other MF practitioners. Washington, DC. Date to be confirmed.**