

TITLE: MICROENTERPRISE DEVELOPMENT STRATEGY. Revised version

Reference Number: GN-1938-3

Document Date: February 13, 1997

Page No.	Para. No.	Text
Preface		Support the creating and strengthening of formal and non-formal institutions that provide business development and financial services to microenterprises on a sustainable basis. (...) catalyze the infusion of private investment in microenterprise development by linking NGOs and commercial investors and promoting the formalization of microenterprises.
Preface		The Bank's main operational instruments for supporting microenterprise development –the Small Projects Program for non-profit organizations, and the global loans for microenterprise which create facilities to transfer resources to financial institutions—will be central to the Bank's Program.
4	2.1.2	(...) Non-formal NGO microfinance organizations continue to provide access to credit to a limited number of microenterprises, but most are still not sustainable without donations and operate at a high cost. In the past few years, IDB supported microenterprise programs have helped formal intermediaries reach down to microenterprise clients and have strengthened the sustainability of NGOs.
5	2.1.3	MIF and other donors, to take an equity position in NGOs that are ready to transform themselves into formal financial intermediaries and to undertake joint ventures with financial institutions seeking to enter or expand their services to small and microbusinesses.
7	3.1	Although the program represent less than one percent of the Bank's lending, it is highly visible, it was for some years the main instrument for financing civil society organizations, it is an important vehicle for promoting innovative pilot programs.
10	3.3	(...) Investments in microfinance institutions seeking to formalize their operations or enter new markets, and develop guarantee mechanisms to allow NGO microfinance programs to borrow from formal financial intermediaries.
10	3.4	(...) Increasing funding for NGO-executed small projects, particularly in the smaller and poorer countries where local currency resources are scarce;
11	3.5	(...) <ul style="list-style-type: none"> • Non-governmental organizations (NOGs) can be effective intermediary institutions for microenterprise development when they operate on sound financial principles.

12	4.1	<p>(...)</p> <ul style="list-style-type: none"> • Strong, sustainable institutions providing financial and non-financial services to meet the demand of microenterprises;
13	4.22	<p>As a central feature of the Program, the Bank will support the strengthening of formal and non-formal institutions, enhancing their capabilities to become sustainable providers of services to microentrepreneurs. (...)</p> <ul style="list-style-type: none"> • It will also strengthen non-formal financial institutions (such as NGOs and credit unions), facilitating their graduation to the formal financial system and access to capital markets, thus enhancing their ability to mobilize resources in a sustainable manner. (...) • The Bank will support the creation, expansion and strengthening of organizations specialized in providing market-oriented, sustainable business services to microenterprise. The focus will be on improvement in the quality of training and technical assistance programs, development of marketing schemes that expand microentrepreneurs- access to more profitable segments of the market. (...) Service providers that assist microenterprises with the process of formalization will also be supported. <p>To be effective, institutional strengthening must be accompanied by the transfer of fresh resources for direct service delivery on a greater scale... (...)</p> <p>During times in which concessional resources are becoming ever more scarce, the mobilization of private sector funds to support the microenterprise sector coupled with a business like approach in the management of microenterprise programs is of the utmost importance.</p>
16	5.1.1	<p>(...) Due to administrative and financial constraints, the IDB cannot continue to be the principal direct funder of the region's non-governmental organizations working in the area of microenterprise development as it has in the past. The Bank will continue to finance individual NGO programs for microenterprise development primarily where they present innovative, pilot experiences with opportunities for learning and replication in other, larger programs. In order to do this, it will be necessary to prioritize and specialize in well-defined niches (such as policy, legal and regulatory reform; and institutional development in certain key areas, e.g., upgrading of NGOs) (...) support organizations that can effectively advance innovative pilot programs in each country.</p>
18	5.1.3	<p>(...) In the future, MIF will also help to create a partial guarantee or risk insurance mechanism to promote NGO micro-finance institutions access to loans from commercial banks.</p> <p>Through its third window, the MIF will give priority to the</p>

		following areas, that will contribute to the achievement of the objectives of the microenterprise strategy; (i) strengthening and diversification of microfinance instruments and institutions, including technical assistance for intermediaries, support for graduation of unregulated NGO intermediaries to the formal financial system, and increased outreach of banks and other formal institutions providing commercial finance to new, smaller clients;
20	5.2	Additional support for private sector microenterprise programs, especially those operated by NGOs, (...)