



**IDB Board of Executive Directors
IIC Board of Executive Directors
MIF Donors Committee
For information**

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CII/PP-3-2
MIF/PP-1-1
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Spanish

To: The Executive Directors of the Bank and the Corporation, and the MIF Representatives

From: The Secretary

Subject: A Common Reporting Definition of SMEs Across the IDB Group. Audiovisual presentation

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Remarks: The Vice Presidency for Private Sector and Non-Sovereign Guaranteed Operations translated the document and submitted both language versions to the Office of the Secretary for distribution.

Classification: For purposes of the Access to Information Policy, the attached document is confidential in its entirety.

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A Common Reporting Definition of SMEs Across the IDB Group

VPP

IIC

SCF

OMJ

MIF

ICF/CMF

July 21, 2011

SMEs have a significant impact in the Region...

SMEs in LAC make a significant contribution to employment (between 60% and 70%) and to GDP (between 20% and 35%)
(High Growth Small and Medium Enterprises (HGSMEs) in Latin America Emerging Economies. IDB and MIF for the OECD, 2008)

In Brazil, more than 4.5 million SMEs create more than 60% of urban jobs and contribute to approximately 21% of GDP
(SEBRAE 2005)

In Paraguay, 92% of companies are SMEs, which employ 80% of the total labor force and contribute to 60% of GDP
(Paraguay National Industrial Census 1997)

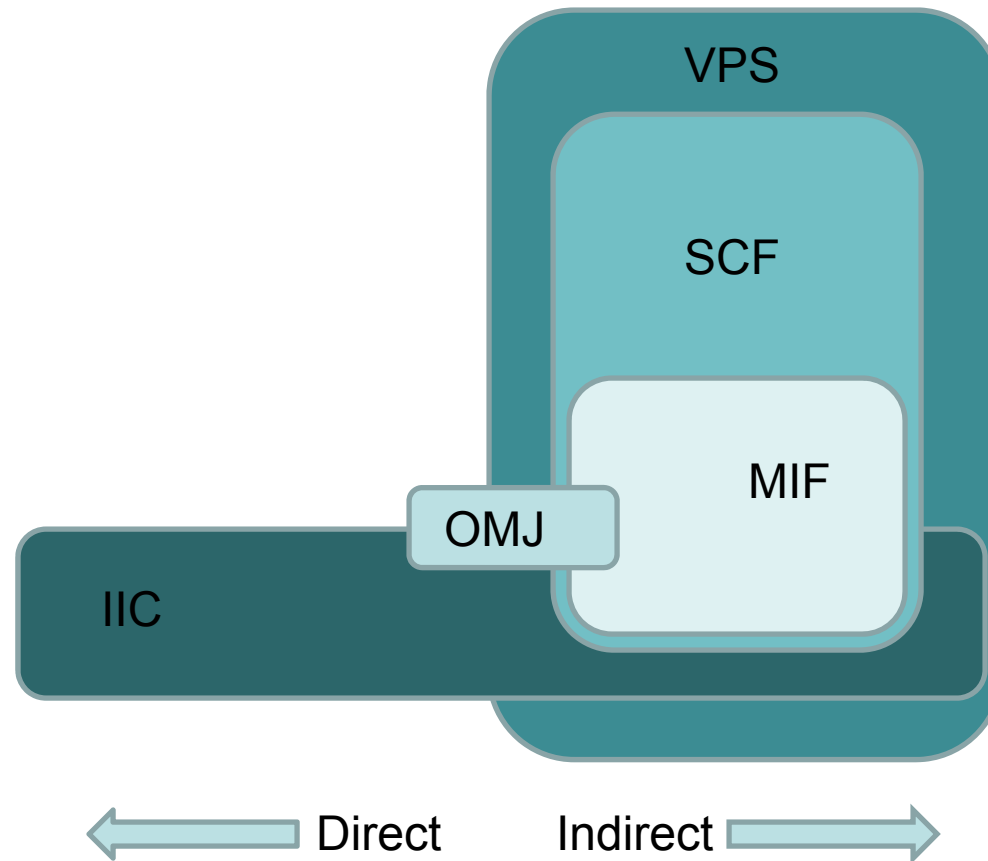
At the same time, the financing needs of the SME market in the Region are substantial...

There are 3.1 to 3.7 million formal SMEs in LAC with approximately 20% of without either a loan or overdraft
(IFC and McKinsey Database 2010)

The estimated formal credit gap for LAC is US\$125-155 billion, which represents approximately 60-75% of the percent of current outstanding SME credit in LAC
(IFC and McKinsey Database 2010)

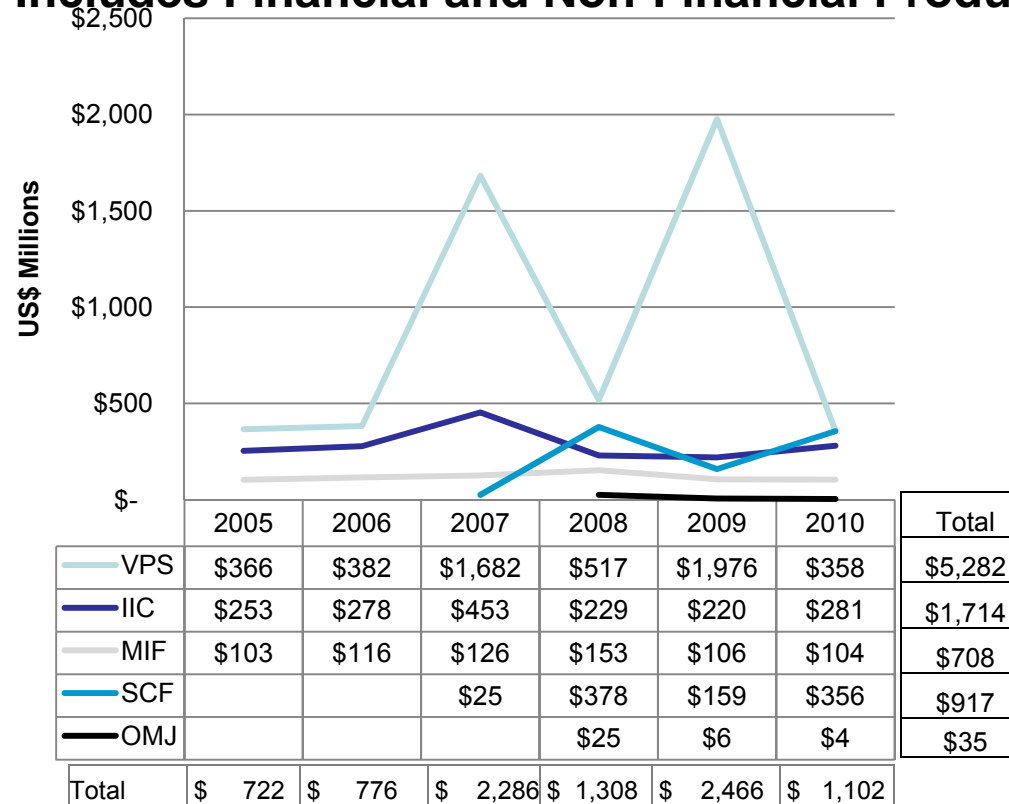
This huge financing gap provides a development challenge for SG and the NSG windows to boost SME financing

All four private sector windows of the IDB Group, as well as VPS support SMEs...



To which we have provided considerable support...

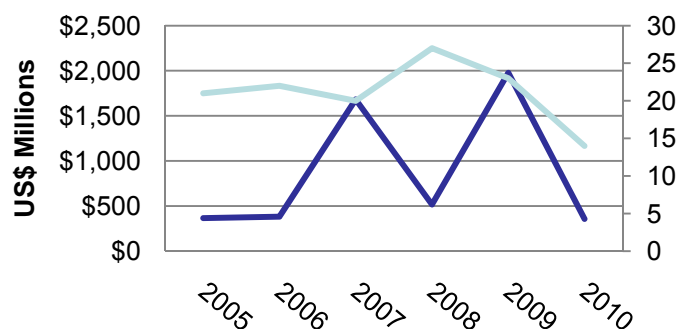
IDB Group Support to SMEs
Includes Financial and Non-Financial Products



Notes: (1) MIF data excludes those agendas that do not have SMEs as a target, (2) SCF/FMK commenced operations in 2007 and (3) OMJ began operations in 2007.

The way being lead by VPS and IIC...

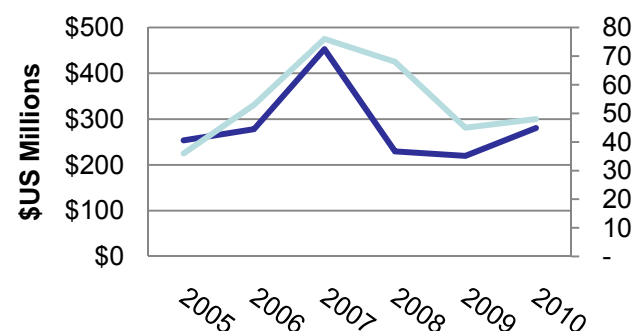
VPS



— Approvals — # of operations

	2005	2006	2007	2008	2009	2010
Loans	\$ 366	\$ 382	\$ 1,682	\$ 517	\$ 1,973	\$ 358
TCs	\$ 0.3	\$ 0.5	\$ 0.05	\$ 0.7	\$ 3.2	\$ -

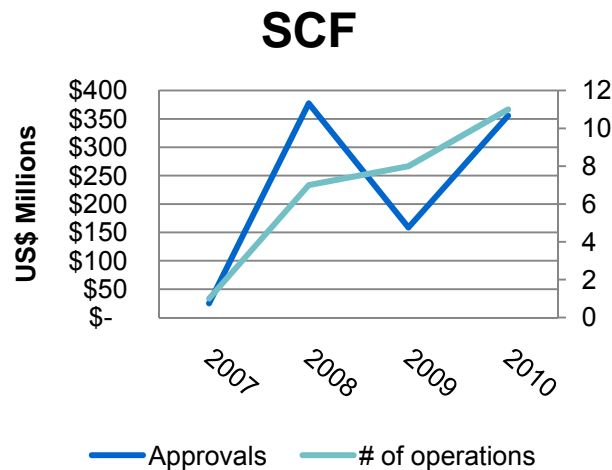
IIC



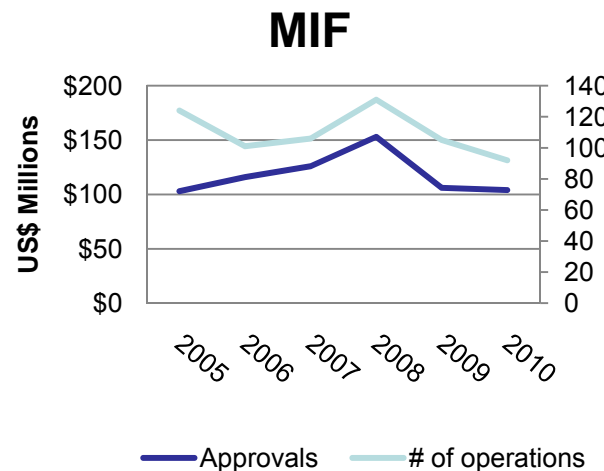
— Approvals — # of operations

	2005	2006	2007	2008	2009	2010
Loans	\$ 253	\$ 277	\$ 451	\$ 227	\$ 209	\$ 250
Equity					\$ 8.0	\$ 25.5
TCs	\$ 0.28	\$ 1.0	\$ 1.7	\$ 2.4	\$ 2.9	\$ 4.8

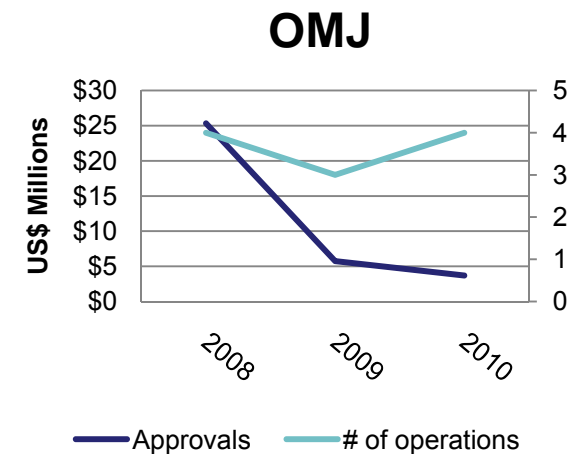
With SCF expanding SME activities and ongoing MIF support for MSMEs



* SCF/FMK commenced operations in 2007

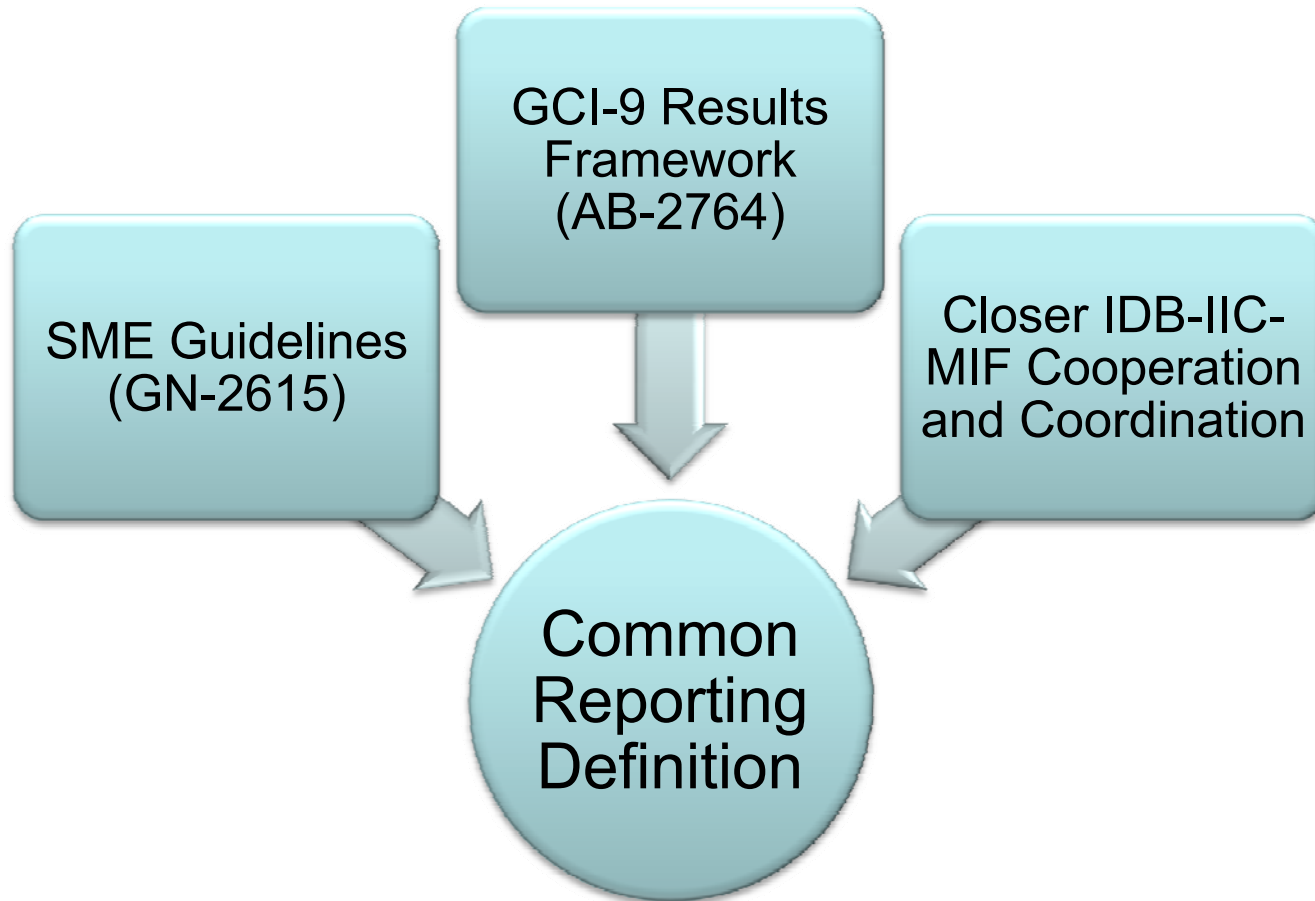


* MIF data excludes those agencies that do not have SMEs as a target.

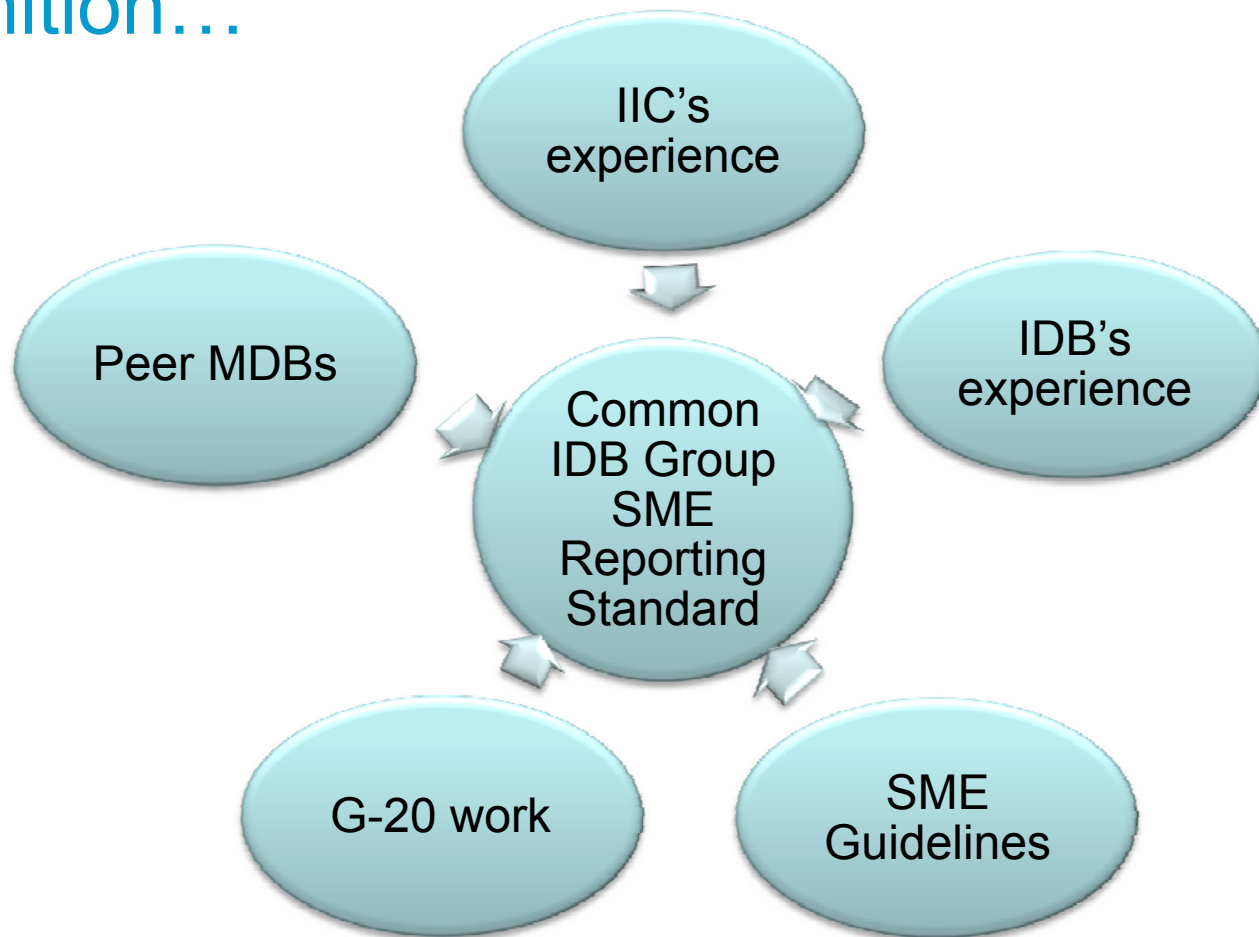


* OMJ began operations in 2007

Why the need for a common IDB Group reporting definition?...



How we arrived at the common reporting definition...



The result of our analysis and agreement...

- Under the GCI-9 Results Framework, IDB shall report SME support according to the definition below
- For other reporting purposes (e.g. G-20), as it pertains to SMEs IDB Group shall also report according to this definition
- In other words, we are adopting the IIC's SME subloan definition, which all windows will use for reporting

Sub-loan Size to Final Beneficiary Firm

	Micro**	Small *	Medium *
A/B Countries	≤US\$5,000	US\$10,001 – US\$250,000	US\$250,000 – US\$1,000,000
C/D Countries	≤US\$5,000	US\$10,001 – US\$150,000	US\$150,001 – US\$500,000

** Reflects MIF's definition of "micro". For IDB Group, loans to firms between US\$5,000-US\$10,000 will not be reported as SME loans.

To the extent that there is direct support to SMEs through IDB, the following definition shall apply...

Enterprise Size for Direct SME

Lending*		Assets		Revenues		Employees	
		Small	Medium	Small	Medium	Small	Medium
A/B Countries	Primary	\$7,000,000	\$20,000,000	\$7,000,000	\$20,000,000	200	400
	Industry	\$7,000,000	\$20,000,000	\$7,000,000	\$20,000,000	150	350
	Service	\$7,000,000	\$20,000,000	\$7,000,000	\$20,000,000	100	300
C/D Countries	Primary	\$3,000,000	\$10,000,000	\$3,000,000	\$10,000,000	150	250
	Industry	\$3,000,000	\$10,000,000	\$3,000,000	\$10,000,000	100	200
	Service	\$3,000,000	\$10,000,000	\$3,000,000	\$10,000,000	50	150

* Adopted from IIC's Enterprise Size for Direct SME Lending (CII/GP-15-10)

The above definitions apply to expansion, modernization or upgrading of existing enterprise facilities while for Greenfield projects only the asset size definition would apply to the new enterprise. Two out of the three above criteria shall apply.

Why this is the best proxy in our estimation...

Reflects the significant experience of IIC

Average loan size under SME lines supported by IDB tend to be around US\$100,000 and US\$126,000 through IIC

Minimal amount of activity that won't be accounted for by the proxy

Consistent with G-20 and peers tendencies

SPD in agreement

We should note that reporting and eligibility are different...

For IDB, eligibility and use of proceeds will continue to be governed by national definitions

IIC's and MIF's eligibility and use of proceeds will continue in accordance with established policies

Going forward...

For 2011, SPD will report IDB's SME support under GCI-9 Results Framework according to the common standard (on a best efforts basis)

Common SME reporting standard will take effect in 2012

We will continue monthly FI coordination meetings

We will continue to enhance harmonization efforts with respect to approach to SMEs across the IDB Group (and beyond with other MDBs)

