

Creating Business: It's Never Too Late ... or Too Early

Mauricio Flores, a resident of Tijuana, Mexico, is the founder and managing director of Children's Corporation, an organization that offers elementary-school courses to train students to be leaders and entrepreneurs. Children participating in the program have set up their own businesses designing printed T-shirts, making chocolate bars and selling coffee from push carts.

Inspiring children from ages 6 to 12 to learn about business may seem like an unusual way to make a living. But for Flores, 32, what is even stranger is that he himself is now an entrepreneur, heading up a

4-year-old organization with four full-time employees and four part-time teachers.

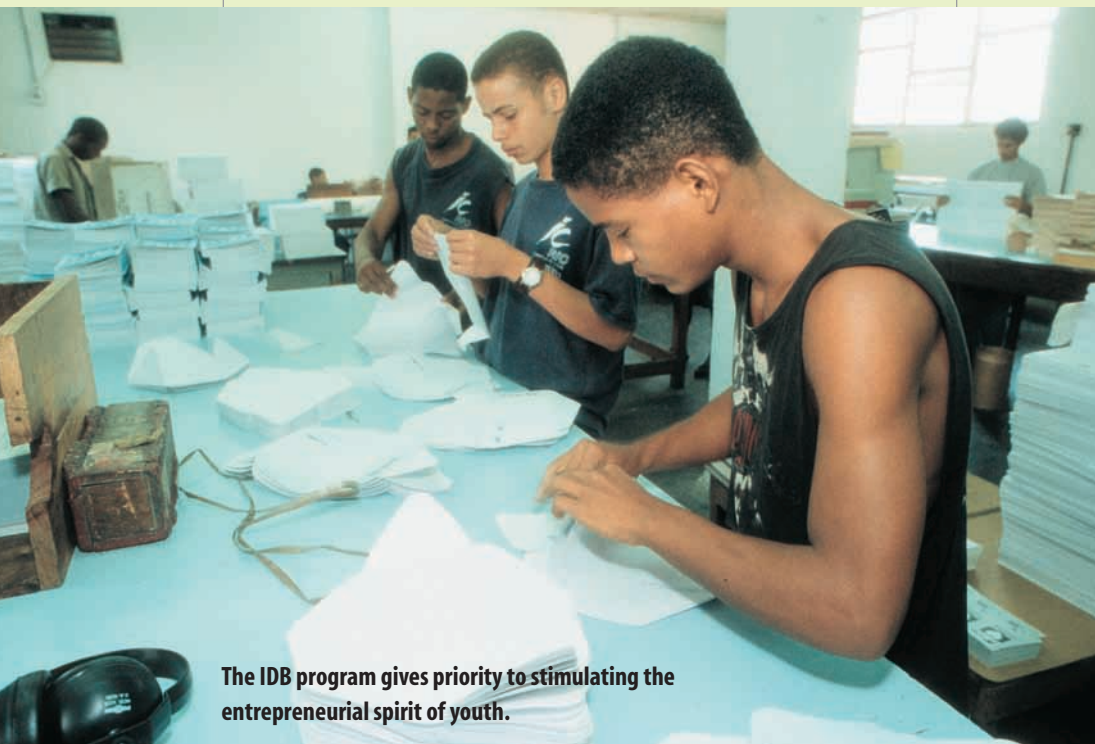
"I never saw myself as an entrepreneur; businessmen were my clients," says Flores, recalling his previous work with a government program that trained small businesses to improve their competitiveness. His job at a consulting firm was to recruit managers of small and medium-sized businesses to participate in the training.

Six years ago, Flores attended a business training program for youth offered by the Tijuana chapter of the Mexican Confederation of Employers (known by its Spanish acronym Coparmex). He took a workshop in leadership for young entrepreneurs and learned about social responsibility, the importance of financial management and the value of networking with other businesses.

"I made a 180-degree turn with the experience at Coparmex," says Flores. He affiliated with Coparmex and soon became an officer in its youth program, and is now president of the Tijuana chapter of Young Entrepreneurs. Within a few years, he was managing his own business.

Children's Corporation offers weekly classes during the school year that teach children how to save money, design products, manage businesses, handle finances and promote products by designing posters and writing jingles. Short intensive courses also are offered at several schools. Private schools pay for the courses and Children's Corporation secures donations from commercial businesses to finance the cost of training in public schools. So far, more than 7,000 children have participated in the program, which continues to expand.

The Coparmex program in Tijuana is one of 60 in Mexico's leading cities, and it has launched 320 businesses in the past four years, including a day spa, an organic food café, a business law journal, and a distributor of potable water. The youth-run businesses are considered stable when they have more than six months



The IDB program gives priority to stimulating the entrepreneurial spirit of youth.

IDB

with profitable income and have created an average of three to four jobs each.

Courses that nurture entrepreneurship among youth, like those developed by Mauricio Flores, are available throughout Latin America and the Caribbean, especially for adolescents and young adults up to age 30. The Multilateral Investment Fund (MIF) of the Inter-American Development Bank has channeled nearly US\$50 million in grants to initiatives that expand economic opportunities for young people. These funds support approximately 35 programs in job placement, employment training, corporate social responsibility and entrepreneurship for youth, among others.

Unemployment among Latin American and Caribbean youth is even more widespread than among adults. Tackling this problem and helping young people develop skills for jobs or self-employment is one of the four pillars of the IDB's youth initiative.

"The IDB youth program places a priority on encouraging an entrepreneurial spirit among young people, imparting useful knowledge, and linking young entrepreneurs with each other and vital resources," explains Fabián Koss, Youth Development Coordinator in the IDB's Office of External Relations.

Across the region, many non-governmental organizations offer training in social skills for job interviews and the workplace, as well as administrative, financial and management training. Most of the programs have several phases, including training in a classroom-like setting to explain the basics of holding a job and running a business, workshops for technical skills, professional internships and mentoring for young people who establish businesses. Tutorials are provided by experienced students, business owners and managers. "We support microentrepreneurs who have



not had a formal education and connect them with university volunteers and entrepreneurs who share their knowledge and expertise," says Isabel Alvarez, Youth Network Coordinator at the IDB.

Gabriela Rondeau, 26, of Bariloche, Argentina, is a case in point. As a result of training provided through the FUNDES Foundation, Rondeau boosted her skills and subsequently moved into a higher-level office job. A critical first step was the initial training in social and job skills. "They taught us how to interact with people, how to behave in an interview and prepare a resume," says Rondeau.

In computer classes Rondeau learned the latest versions of Word, Excel and graphic design software. "It helped me because I had forgotten many computer skills I learned in high school," she says. Before taking the courses she had never worked. FUNDES helped her land an office job five years ago where she has worked ever since.

In the industrial city of Soyapango on the outskirts of San Salvador, the FUNDES Foundation gives students at the technical university training in practical skills such as marketing,

accounting and strategic planning. University students also work as interns in companies at a nearby industrial park where they connect with mentors who guide them in designing business plans, recounts Carlos Moreno, MIF specialist in El Salvador. FUNDES El Salvador is part of a network of similar foundations that promote entrepreneurship in nine Latin American countries.

"After basic training and an internship, the young people must have a sound business plan for submission to a financial institution," says Moreno. The MIF helps make the critical link between a business plan and funding by providing seed capital for up to 50% of the cost of

launching a business, and by ensuring that business plans are developed well enough to merit a loan.

FUNDES aims to train 600 university students, foster the establishment of 40 new businesses and create a total of 500 jobs through the pilot program in Soyapango, says Moreno. Later the program will be replicated in Santa Tecla, another suburb of San Salvador, and at the La Unión port.

In Colombia, the Corona Foundation has trained 10,000 youth across the country in entrepreneurial skills. "Our methodology needs to go beyond training and use a model based on business development skills," explains Pablo Vanegas, who directs business development and the Youth Enterprise program of the Foundation.

The training package begins with workshops on the philosophy of entrepreneurship, continues with sessions on business concepts and concludes with business plans. Less than one-third of the students complete the training in business plans.

Those who develop a business plan are provided with a series of follow-up services that include advice from instructors and consultants, access to contests and financial backing. "The

services that accompany the training are our primary concern—creating businesses is easy, but it is difficult to sustain them,” says Vanegas.

Young people who have completed the Corona Foundation training have established businesses that produce clothing, frozen food, sensor technology for the blind, and cinema and television programs. Initial investments of

1,000 entrepreneurs, says Aníbal Pinto, founder and president of the organization.

After completing a 12-week course in business administration, entrepreneurs develop business plans and are then introduced to one of two microfinance institutions (MFIs) with Acción Emprendedora's training serving as a recommendation. The entrepreneurs

prizes “as a way out of poverty,” says Pompa.

The magic of programs that help people become entrepreneurs revolves around building confidence and gaining technical knowledge. Aspiring entrepreneurs are acquiring basic tools such as how to make a business plan. “Having an idea is not enough; you have to put it down on paper,” says Ariosto Manrique Moreno, 31, a former leader of Coparmex's Young Entrepreneurs program in Tijuana and owner-manager of a market research firm.

Without this knowledge, it is easy to underestimate the importance of business plans. “About 80 percent of businesses in Mexico don't last more than two years if they don't have a business plan,” says Manrique Moreno.

Knowledge is important, but confidence is also essential for hopeful entrepreneurs, young and old alike. In the southern part of Santiago, Chile, Valentín Navarro's tire service shop, MaxLine Servicios, is thriving. After taking Acción Emprendedora's classes in accounting and marketing, he put his knowledge into practice by offering free brake inspections and attracted new customers for his services in changing and balancing tires. The redesign of his company's signs also helped draw new customers.

The best aspect of training was the psychology classes, says Navarro. “The psychological training is the most important because they teach you it is never too late to start a business,” he says. Three previous businesses run by Navarro, 48, had gone broke. “When you hear them say that failing is also experience, you get much stronger,” says Navarro.

BY LUCY CONGER



US\$8,000 to US\$10,000 were needed to launch these businesses.

Raising that kind of money is difficult due to a lack of resources and the reluctance of commercial banks to offer loans to a novice. Corona Foundation is finding “angels” to invest in the fledgling businesses. So far, the angels have been foreigners from the United States and Holland. “We hold travelling exhibitions to encourage networking among Colombian angel investors,” says Vanegas.

In Chile, Acción Emprendedora (Entrepreneurial Action) provides training for small business owners and microentrepreneurs, many of whom are under 35 years old. The training model incorporates business administration skills, financial and technical training, and access to computer technology such as the Internet, fax and Skype. With a grant from MIF, Acción Emprendedora is expanding its program to train an additional

are offered more favorable terms than other clients, including lower interest rates and faster loan disbursement. Only two of the Acción Emprendedora entrepreneurs have been late in repaying their loans.

Young people in rural areas are an important target group for the Paraguaya Foundation, which runs an agricultural school and also provides business training in rural schools. At the Foundation's agricultural school, students study business management and agriculture, including organic farming, vegetable cultivation, raising goats and pigs, and administration of rural hotels. After completing their training, the students receive microcredits to develop rural enterprises, explains Claudia Pompa, Paraguaya Foundation's project director.

In rural schools, both public and private, the Foundation provides students with business training to help them create their own microenter-



Links:

www.childrenscorporation.com
www.coparmex.org.mx
www.iadb.org/bidjuventud
www.fundes.org
www.fundacioncorona.org.co
www.accionemprendedora.cl
www.fundacionparaguaya.org.py

Entrepreneurship Cannot Be Improvised

Ten years ago, Ricardo Antonio Rotta's business repairing electrical appliances in Ivoti, a town in Brazil's far southeast state of Rio Grande do Sul, was successful enough. But Rotta, then 36, was burned out. Something was missing. "I wanted to switch businesses, but I didn't know how," he says.

Rotta turned to Sebrae, an agency that provides support for micro and small businesses in Brazil through a wide range of courses, workshops, online learning and consulting services. Sebrae is a private non-profit organization funded by an obligatory tax paid by all businesses in Brazil. Last year it provided training to more than 700,000 entrepreneurs from 170,000 businesses and offered consulting services to 404,000 individuals in 318,000 companies. Sebrae's

staff of 4,000 has been expanded to include an additional 10,000 certified consultants. Its courses and consulting services are inexpensive (some courses cost around \$50), and in poor regions training may be free.

Rotta took courses through Empretec, a United Nations program designed by the UN Conference on Trade and Development (UNCTAD) that helps entrepreneurs establish innovative and competitive small enterprises. The program targets both new and experienced businesspeople, and emphasizes the development of entrepreneurial traits such as taking initiative, collecting information, planning and persevering (see chart on page 58). In Brazil, Sebrae is responsible for providing training to Empretec.

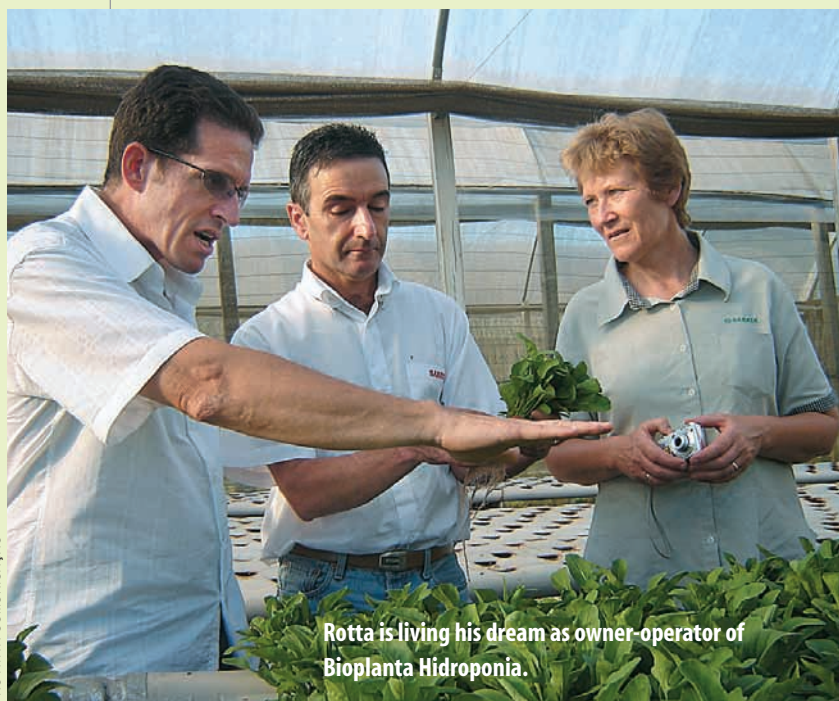
The training helped Rotta move into an entirely new line of work. "The seminar enables merchants to open businesses, but also motivates them to seek happiness and realize their dreams," he says. "People learn through stages of exploration and research."

Today Rotta is living his dream as the owner-operator of Bioplanta Hidroponia, which grows and distributes fresh produce such as lettuce, watercress and arugula to Carrefour supermarkets and smaller outlets in the state capital of Porto Alegre. But first he did meticulous research on his prospects.

A magazine story set the course as he read about a man who changed careers at age 65 and launched a new business growing hydroponic vegetables. Rotta got in touch with the entrepreneur and visited his business where he learned about the technique of growing produce in water. He went home inspired and began studying hydroponics.

After defining the business he wanted to establish, Rotta began developing a business plan, as he had learned to do in Sebrae courses. To research the market for hydroponic produce, Rotta visited Carrefour stores to learn about the demand for lettuce and greens. Although he had intended to grow greens that were new to the market, he learned that there was a considerable scarcity of lettuce. "On top of that, crops would be more stable if I started with lettuce and then gradually shifted to others according to market demand," Rotta recalls.

Bioplanta Hidroponia began small in 1998, first selling to groceries and some small restaurants. Five years later, Rotta cre-



Rotta is living his dream as owner-operator of Bioplanta Hidroponia.

ated more modern packaging and began distributing to Carrefour, even though production remained low. Now the company has six employees, and continues to grow. Rotta is satisfied. "Producing food is noble," he says.

The knowledge and skills that launched and developed Bioplanta Hidroponia are within reach for thousands of micro and small enterprises in Brazil through the courses and consulting services offered by Sebrae. "Developing the traits of entrepreneurship is essential for a business to stabilize," says Mirela Malvatestiti, Sebrae's business training manager. The formulation of business plans is one of the most common services offered by Sebrae. "The failure rate for businesses is a big problem. We work hard to make sure people open businesses that are viable," says Malvatestiti.

Sebrae offers a wide range of courses and consulting services for all stages of business development geared toward budding entrepreneurs, new businesses and more advanced enterprises. One of the more popular courses for aspiring business owners focuses on entrepreneurship, financial analysis, cash flow, market research and market structure. Course modules are offered online or in televised classrooms with instructors providing additional guidance.

In sectors as diverse as farming, hotels and inns, textiles and clothing, and petroleum and gas, Sebrae offers training in business administration, planning and risks, and quality control. For entrepreneurs who have succeeded in operating a business for at least two years, more specialized courses are offered in areas such as product development, partnerships to increase sales and business, and improving energy efficiency and optimizing equipment use. Over the last three years, Sebrae introduced courses in how to use the Internet and e-commerce for micro and small businesses. "Sebrae provides practical

Entrepreneurial Traits

1. Identifying initiatives and opportunities
2. Establishing goals
3. Showing persistence
4. Demonstrating commitment
5. Demanding efficiency and quality
6. Systematic planning and monitoring
7. Conducting information research
8. Creating and maintaining contact with networks
9. Operating with calculated risks
10. Exhibiting independence and self-confidence

courses to show entrepreneurs how to apply this knowledge in their daily operations," says Malvatestiti.

Business planning is essential both before a launch and when preparing to expand. Totosinho, a family enterprise that produces snack foods is a case in point. Totosinho's hot dogs, hamburgers and empanadas are packaged in thermal bags and distributed throughout Porto Alegre.

Although the company had brisk annual growth for 10 years, a Sebrae consultant guided the firm in developing a marketing plan, according to Marcia Moreira Faria, Totosinho founder and co-owner. "We were advised to establish partnerships with party spaces and develop an annual marketing plan," says Faria. With the plan, sales have continued to grow at a rate of 15% each year, she says.

Totosinho is poised to grow even more and will likely expand its workforce of 65 employees. In recent years, the company began selling its hot dogs and hamburgers in packaging for refrigerated supermarket counters. This product line is sold at Wal-Mart and already accounts for 20% of current sales, but could expand enormously. "We intend to sell that line throughout Brazil," says Faria. In October, Totosinho will launch a new product: a low-calorie hot dog.

A process of ongoing learning characterizes many successful entrepreneurs, and Neide Sosvianin is no exception. She is president of Versátil Andaimes, a family business founded 21 years ago that manufactures various types of scaffolding for construction projects. The company is owned by Sosvianin, a lawyer, and her engineer husband. Sosvianin began taking basic courses with Sebrae 21 years ago. She then moved on to more specialized courses and later sought advice from consultants in financial administration. "I still use Sebrae; I was there last week for training in how a company can be creative and innovative even when it is small," says Sosvianin, 46.

Versátil Andaimes has 120 employees and has benefitted from Brazil's recent construction boom, which has grown 40%–50% annually since 2002. This period of rapid growth created the need for new skills and management systems.

To meet the demands of expansion, Sosvianin took advantage of a coaching service offered by Sebrae. "Coaching teaches you how to delegate, to stay informed out of the sight of your employees," she says. The company set up a system of measurable objectives to monitor monthly progress and quality of services.

Micro and small businesses change over time and experience the ups and downs of business cycles. Businesses and entrepreneurs, both new and experienced, can benefit from training courses and targeted consultancies that help smooth out the difficulties of running a business and put the company on a path toward growth.

BY LUCY CONGER



Links:

www.sebrae.com.br

www.empretec.net

www.bioplantahidroponia.com.br

www.andaimes-versatil.com.br



THE STRENGTH OF MICROBUSINESSES
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The Land of Tulips and Small Loans

Mention the Netherlands to foreigners and many are likely to picture the traditional Dutch icons of tulips, windmills and wooden clogs. Cheese lovers will yearn for Gouda and Edam; sports fans will surely visualize orange football jerseys. The Dutch themselves probably prefer to be known as Europe's foremost polyglots and the inventors of the microscope and the compact disk. A less well-known fact about the country with the world's tallest people is that it also is a powerhouse in the promotion of microfinance.

Like other European countries, the Netherlands has a huge and sophisticated financial services industry, with major banks and insurance companies doing business literally around the world. There are also many Dutch foundations, social investment funds and development organizations working on microfinance.

In 1997 several institutions and their main funder, the Dutch Ministry of Foreign Affairs, started to coordinate their microfinance activities, in order to avoid duplication, learn from each other's experience and gain from their particular strengths and specialization. By 2003, when the initial group numbered a dozen financial companies, development agencies, NGOs and philanthropic institutions, they formalized their collaborative efforts by establishing the Netherlands Platform for Microfinance (NPM). To date, there are 15 members in this alliance, which is open to any Dutch organization involved in microfinance as a practitioner, advisor, investor or donor.

"The Dutch have traditionally been a nation of traders, merchants, pastors and teachers," said NPM Chairman Frank W. Bakx. "Equity and justice are widely held values. The open economy and culture of tolerance resulted in intensive global relationships. Development cooperation came in the wake of commerce, to help uplift poor, less-advantaged fellow people. Providing credit is seen as more egalitarian than giving a dole-out."

Current NPM members include the commercial banks ABN Amro and Rabobank, sustainable banking organizations ASN Bank and Triodos; insurance companies ING and Interpolis; faith-inspired groups Cordaid, ICCO and Woorden Daad; economic development agencies FMO and SNV; microfinance specialists Hivos, Oikocredit and Triple Jump, the NGO Oxfam Novib; the DOEN Foundation, which is supported by the Dutch charity lotteries; and the Ministry of Foreign Affairs.

While the platform's members have diverse focuses and approaches, they share a common mission: to expand access to financial services for the poor, offering them more



choices to improve their lot through their own efforts and better tools to protect themselves against economic risks.

Their collective clout in the micro-finance industry is significant. By the end of 2006, NPM members had an aggregated microfinance portfolio of loans, equity investments and guarantees worth more than €560 million (about US\$875 million), reaching hundreds of NGOs, cooperatives and banks involved in microfinance in nearly 100 countries in Africa, Asia and Latin America. That year Dutch organizations also provided more than €29 million (about US\$45 million) in grants to microfinance-related projects and initiatives.

NPM members also offer know-how on building more inclusive and efficient financial sectors. While the Dutch government has long been a leader in advising developing coun-

Members of the NPM

- ABN Amro
- ASN Bank
- Cordaid
- DOEN Foundation
- FMO
- Hivos
- ICCO
- ING
- Interpolis
- Ministry of Foreign Affairs
- Oikocredit
- Oxfam Novib
- Rabobank Foundation
- SNS Assets Management
- SNV
- Triodos Bank
- Triple Jump
- Woord en Daad

tries on how to improve the business climate to expand financial sectors, other NPM partners work with their counterparts to help them access local and international capital markets, develop new financial products and services, strengthen management, governance and reporting, train loan officers to better serve micro and small businesses, and assist microfinance institutions in extending their services to underserved areas and groups.

Lastly, but certainly not least, the Dutch coalition uses its influence at the international level to urge regulators to set rules conducive to more inclusive financial systems, ensuring that prudent regulations designed to foster sound banking practices do not end up scotching microfinance.

BY PETER BATE



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The Princess of Microfinance

If the United Nations had not invited her to join the advisory group for its Inclusive Financial Systems Initiative, Princess Maxima of the Netherlands would have gladly volunteered to promote microfinance as a tool to reduce poverty.

The Argentine-born princess is the only member of a royal family on this committee numbering prominent bankers and academics who, under the UN banner, provide advice to governments, central banks, regulating agencies and the private sector on the obstacles preventing the poor from gaining access to financial services and what steps could be taken to eliminate such barriers. In the world of microfinance, however, Princess Maxima is well regarded for her knowledge

of and commitment to the business of providing financial services to the poor.

Like other young royals, Princess Maxima is a familiar figure to the readers of glossy European magazines. But before she married the Dutch crown prince, she obtained a degree in economics and worked for major financial institutions in Buenos Aires, New York and Brussels. One big difference from her days as a junior investment banker, as she once noted with humor to Dutch journalists, is that important people now return her phone calls more quickly than before.

Since the UN appointed her a special advisor to the Year of Microcredit, in 2005, Princess Maxima has used her expanded access to decision-makers to advocate for microfinance. One measure of the progress achieved by the UN advisors is that more than 80 countries have established national committees to promote microfinance. "Nobody any longer denies the effect of microfinance on a country's development. The issue now is how to achieve greater scale," she said in an interview with a leading Argentine newspaper.

During a recent visit to Buenos Aires, Princess Maxima met Argentine President Cristina Fernandez de Kirchner, the minister of economy and the governor of Argentina's central bank. She also addressed commercial bank executives, whom she urged to extend financial services to the poor, noting how little microfinance has developed in her homeland. At the end of 2004 there were no more than 25,000 microcredit clients in Argentina. In contrast, she added, Mexico's microfinance institutions had already reached more than 200,000 clients.

Princess Maxima also holds strong views on issues that generate heated debates in the microfinance industry, such as the quest for profits, interest rate levels and the appropriate role for governments. As a UN special advisor, she has spoken often and forcefully about the need to expand access to financial services to a scale where they make a macroeconomic difference and reach hundreds of millions of people who remain without banking services. To achieve that goal, she maintains, microfinance must become commercially viable, rather than depend on donations. Profitability will be a crucial factor for the industry's development, as suc-

Princess
Maxima of the
Netherlands



DUTCH GOVERNMENT INFORMATION SERVICES

cessful lenders can serve more people with greater efficiency. “Good financial services come at a cost, no matter what the social objective,” she said in a speech at UN headquarters.

In Argentina, the princess highlighted the potential pitfalls of government-run microcredit programs as well as the risks of imposing ceilings on interest rates. “It is extremely important that government policies focus on strengthening the microfinance sector rather than turning them into social policy tools, no matter how good the intentions may be,” she added.

Many famous people, ranging from former U.S. President Bill Clinton to Hollywood stars such as actress Natalie Portman, have helped raise the profile of microfinance and attract more support for an industry that generates economic opportunities for countless families and empowers millions of women around the world. But few are likely to expound on arcane financial regulations as Princess Maxima did at a conference organized by the Bank of International Settlements.

In a speech to central bank governors, regulators and supervisors, the princess delved into the adverse consequences of subjecting microcredit to the same risk weighting criteria applied to traditional retail banking loans unsecured by collateral and without a credit rating. This rule effectively acts as a barrier for banks interested in working in microfinance. Not only did she point out how such a rigid approach makes microcredit more expensive; she also distinguished the differences for banks that follow the simple standardized approach and the advanced internal ratings based approaches of Basel II.

Microcredit borrowers, Princess Maxima argued, may lack formal credit ratings and physical collateral, but their loans are underpinned by substantial social collateral, which puts group pressure on individuals to repay loans in a timely manner. Furthermore, banks can employ



DUTCH GOVERNMENT INFORMATION SERVICES

Princess Maxima in discussion with the Governor of the Banque des Etats de L'Afrique Centrale (BEAC), Mr. Philibert Andzembe, in Cameroon in 2008.

incentives developed by microfinance institutions to promote prompt loan repayments—incentives with a proven success reflected in remarkably low levels of at-risk portfolios.

“We need commercial banks to increase microcredit where it counts!” she urged the members of the audience. “Therefore, I am asking you, central banks and other relevant regulators and supervisors, to reflect on my words. There are clear risk mitigation criteria for microcredit that you could acknowledge when determining the appropriate risk weight for such credit. Unnecessarily high risk weighting makes this business overly expensive,” she concluded.

Princess Maxima acknowledges that microcredit is not a panacea against poverty, which is influenced by numerous factors such as access to good quality health and education services, better nutrition, basic infrastructure, transportation, security and employment. But she never misses an opportunity to underscore microfinance’s power to dignify. “I firmly believe that giving people loans is to offer them an opportunity to get

out of poverty by leveraging their own efforts,” she told the Buenos Aires daily *Clarín*. “This will often be the greatest vote of confidence that these persons will have received in their lives. And it will translate into dignity, which is also very necessary.”

BY PETER BATE

For more information on the UN Advisors Group on Inclusive Financial Sectors, visit: www.uncdf.org/english/microfinance/advisors_group



Link:
www.uncdf.org/english/microfinance/advisors_group

ARLETTE PEDRAGLIO, DBE



SANDRA DARVILLE
Chief of the Access to
Finance Unit

The year 2007 has been a tough year in global financial markets. The crisis reminded us that one swamped ship can create dangerous waves for others plying the economic seas.

Consistent with its scrappy origins, however, the microfinance sector in Latin America and the Caribbean continues to motor on at a healthy pace. Leading institutions in the region have focused on mobilizing domestic savings, thereby easily funding growth, with robust overall portfolio quality and performance. Funding has continued to increase and buoy the sector's growth. In fact, the past 12 months saw both the healthy expansion of existing MFIs and the birth of start-ups in countries such as Honduras, Mexico, Colombia, Panama and Brazil.

The year 2007 also marked the transition of an adolescent industry into adulthood. Earlier concerns over the problems of youth (e.g., sustainability, credit methodologies, and governance) have given way to a healthy identity crisis, with concerns over rapid growth, the supply of high quality managers, the need for new

Warning Signs in the Midst of the Storm

technologies and products, ethical standards, and continued controversies over interest rates and profits.

Investors such as Procredit, Fundación BBVA and Planet Finance have put money into start-ups, and leading institutions (e.g., ACP in Peru) ventured outside their home country with cross-border investments. The growth of the industry has blurred definitions, and analysts debate which institutions are MFIs, while donors and MFIs debate the social impact of various models. MFIs that spent their early years desperately seeking resources now face multiple, competing offers for funding. The influence of private donors and investors like the Gates Foundation and Omidyar Network was significant and greatly contributed to the dialogue on measuring results, success and impact. Banking regulators across the region have encouraged this growth, fine-tuning the regulatory environment in some countries and making major changes in others (e.g., Mexico, Colombia, and Peru). Going forward, the microfinance industry will be increasingly product-based—rather than institution-based. In other words, microfinance will be provided by a range of companies, NGOs, for-profit entities, banks, insurance companies and others that do not work exclusively in microfinance. Credit is the first microfinance product to make this transition, but as the industry continues to grow, other financial services will surely follow suit.

Given that the sector is well on its way, what next? In fact, much remains to be accomplished. The success stories of a few may mask the exclusion of the vast majority of microen-

terprises and low-income households from credit, savings and other financial services. Moreover, while the sector is highly advanced in some countries, it barely exists in others that lack enabling regulatory and institutional frameworks. As shown in the Economist Intelligence Unit's *Microscope on the Microfinance Business Environment*, major obstacles remain in the way of improved innovation and scale. More work is needed in the areas of financial transparency, regulation and supervision, and in expanding the supply of financial services (e.g., the "rural gap"). Intra-regional investment and collaboration will require greater harmonization of standards and prudential regulations. Just as regulators and policymakers are beginning to collaborate on these issues, the region's MFIs and other actors will also need to keep working more closely together toward a shared regional system. The creation of an organization such as a federation for microfinance for Latin America and the Caribbean could be a useful means of encouraging these regional partnerships.

Going forward, the MIF will leverage trends in microfinance to help expand innovation and scale in the industry. Increasingly, microfinance will include many types of financial services provided by myriad institutions using a broad array of technologies.

Under President Moreno's leadership, MIF intends to promote this evolution. Our goal is to see the sector reach US\$20 billion by 2012. With the dynamism in the market to date, this goal is well on its way.