



Strengthening Financial Institutions for Microenterprise

Guidelines for New Project Proposals

The Multilateral Investment Fund

MIF encourages the sharing of this information with qualified organizations in the region. More information can be found at:

www.iadb.org/mif

Proposals will be evaluated on a first-come, first-served basis.

Concurrent with the Microenterprise strategy of the Inter-American – Development Bank (IDB), MIF's **Line of Activity for the Strengthening of Financial Institutions for Microenterprise** supports the development of strong, sustainable institutions that provide financial and non-financial services to meet sector demand as

well as promoting the access to financial services for microentrepreneurs who lack such access.

These projects will provide non-reimbursable technical cooperation resources for the technical and operational strengthening of regulated and unregulated financial institutions that provide financial services to microenterprises

in the region and that agree to operate according to a set criteria of financial and institutional sustainability.

MIF's line of activity will build on its leadership in the microenterprise sector by extending the reach of microfinance institutions, introducing innovative financing mechanisms, and increasing microfinance capacity.

Eligible Areas of Support for Grant Financing

General areas of support include technical assistance, training, and development of information systems. All support focuses on improving the capabilities of financial institutions for microenterprises (FIMs) in such areas as financial and administrative processes, supervision and control of operations, credit methodology, risk management development of new products, and feasibility studies to assess non-regulated FIMs upgrading into regu-

lated institutions. Support will include technical cooperation activities for eventual mergers and acquisitions for consolidating microfinance programs, technical assistance funding for groups of FIMs to carry out common initiatives, such as providing remittance services, the valuation of capital and issuance of stocks and bonds, and technical assistance for reducing risks and initial costs associated with expanding financial services to rural and semi-rural markets

that currently lack them. Interested financial institutions should be able to demonstrate that they have the potential needed to expand their financial service coverage to the microenterprise sector. They must meet the minimum market standards for institutional, operational, and financial capacity, and have experience in the sector, institutional commitment, and financial autonomy.

Eligible Institutions

Unregulated, regulated and groups of financial institutions for microfinance (FIMs) are eligible to receive funding. Unregulated FIMs include legally incorporated NGOs with specialization in microfinance and financial institutions with cooperative structures that intend to broaden their operations to include microfinance services. Regulated FIMs include commercial banks and institutions specialized in microfinance. Groups of FIMs include networks, federations, and other types of associations whose mutual relations enable them to take advantage of potential synergies and economies of scale.

Cost and Financing

Initiatives will adhere to the following terms and conditions:

- Grants will range up to a maximum of \$300,000 per project, or \$500,000 if the project intends to support a group of FIMs.
- Regulated FIMs will cover at least 40% of total project cost, unregulated FIMs at least 30% of total;
- The following types of activities will NOT be financed:
 - Purchase of vehicles, land or offices; construction of any kind; salaries or benefits of permanent professional or support staff; administrative or operational costs of the requesting institution. At least 40% of the cost of equipment and software purchased for project must be financed with counterpart's resources.



MIF's Line of Activity for Strengthening Financial Institutions for Microenterprise will extend the reach of microfinance institutions, introducing innovative financing mechanisms and increasing microfinance capacity.

Application Requirements

Check MIF's website – www.iadb.org/mif – for more information on project proposals.

Briefly, proposals are selected on a competitive basis according to the following criteria:

- Operational, institutional and financial capacity of the requesting institution;
- Impact, leadership, and demonstration effect in country or region;

- Expected results of the technical assistance activities;
- Level of commitment as demonstrated by the institution's contribution of counterpart funds and human resources necessary to carry out its proposed project; and
- Demonstrated discipline to operate under market conditions.

Applications should be roughly seven to fifteen pages in length, exclusive of annexes. Applications should be sent to the IDB Country Representative in the country where the project would be located, as well as to MIF Headquarters, at the following address:

Multilateral Investment Fund
1300 New York Ave. N.W.
Washington, DC 20577
USA

The Multilateral Investment Fund, founded in 1993, has now funded more than 450 private sector development projects in Latin America and the Caribbean. More information can be found at: www.iadb.org/mif