

PROJECT ABSTRACT

The proposed transaction aims at expanding and strengthening the access to financing for approximately 10,000 urban and rural micro-entrepreneurs in El Salvador who currently do not have access to adequate financing. IDB would provide loan through the OM Facility to the *Fideicomiso para el Desarrollo de la Micro y Pequeña Empresa* (“FIDEMYPE”) and then FIDEMYPE will channeled these funds to Non-Bank Financial Institutions (“NBFIs”) that ultimately will be lending to these low-income micro-entrepreneurs (the “Project”).

This Project is an expansion and complements the financing already provided by the IDB through the SEP to FIDEMYPE (ATN/SF-9957-ES, SP-SF-06-08-ES) which includes technical cooperation (US\$250,000) and financing (US\$1 million) to non-regulated NBFIs operating in the poorest rural areas of El Salvador. This Project will allow the NBFIs to provide additional resources not only in poor rural areas but also in poor urban areas. Under local regulation, these NBFIs cannot receive deposits from the public (except the credit unions and cooperatives) to increase their funding. The international cooperation and second floor sources like FIDEMYPE are the only additional source of funding for these NBFIs. FIDEMYPE is the only second floor *fideicomiso* in El Salvador that provides credit for non-regulated microfinance institutions.

Moreover, by providing additional funding to FIDEMYPE, the IDB will complement its country strategy objectives of promoting sustainable economic growth by increasing access to microfinance’s while strengthening human capital and improving opportunities for the poorest segments of the population.

In addition, the MIF could be participating in the Project to strengthen the management and financial soundness of the NBFIs by implementing a technical cooperation program; and together with the IDB’s ICF Division provided their expertise in the structuring of the transaction.

The Project is in line with the OM Initiative because: (i) it will provide access to financing which is otherwise unavailable for non-regulated microfinance institutions that lend resources to low-income populations; (ii) it implies partnerships between the public sector (the Government of El Salvador is one of FIDEMYPE’s *fideicomitentes* and BMI, a publicly-owned financial institution, is its *fiducario*) and the private sector and civil society (the NBFIs are private sector companies and/or NGOs); (iii) the beneficiaries (low-income micro-entrepreneurs) are within the OM’s target market; and (iv) the proposed model can be replicated and scale-up in other countries in the region.