



OPPORTUNITIES *for the* MAJORITY

Self-Help for the Poor through Microcredit

FIDEMYPE Offers Innovative Financial Solutions

Microenterprise and small business companies account for 59 percent of El Salvador's work force and 49 percent of the nation's gross domestic product. Yet the vast majority of these firms, particularly those with small incomes and in rural areas, do not have access to credit.

Experience has demonstrated that properly managed microcredit programs can achieve an adequate return on capital while fulfilling a social need, enabling low-income producers to survive and expand.

A unique institution in El Salvador is addressing this challenge: the Trust for the Development of Micro and Small Enterprise, or FIDEMYPE.

Established in 2000 with support from the European Union and the El Salvador government, FIDEMYPE lends funds to, among others, financial institutions outside of the formal banking system that in turn provide credit to microenterprises and small businesses. It is the only second-tier trust in El Salvador that provides credit to nonregulated microfinance institutions, which by law are not allowed to accept deposits from the public other than credit unions and cooperatives.

Recognizing the importance of FIDEMYPE in offering financial alternatives to underserved businesses, the IDB is supporting the institution through a \$4 million loan, with resources from the Bank's Opportunities for the Majority facility. The IDB's support will help expand access to financing by approximately 10,000 urban and rural microentrepreneurs.

Advantages of IDB participation

The IDB loan, in addition to enabling FIDEMYPE to further develop its operations and meet unfulfilled demand, illustrates the wide range of Bank products

and resources that can be mobilized to empower underserved, low-income entrepreneurs. Prior to the loan, FIDEMYPE received \$1 million in financing and \$250,000 in technical assistance from the IDB's Social Entrepreneurship Program. The Bank's Multilateral Investment Fund is analyzing the possibility of providing a grant to assist nonregulated financial institutions to improve their institutional capacity and credit, administrative and financial systems.

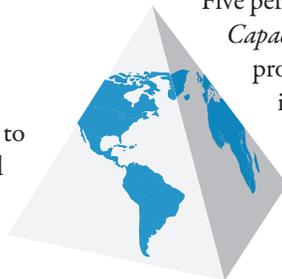
FIDEMYPE does not receive resources from El Salvador's Central Bank or other official banking institutions. Its total loans amount to around \$10 million. While the institution is self-sustaining, international assistance is critical to its success, liquidity and expansion. IDB financing will be supplemented by resources from other international agencies, mainly in Europe, as well as by FIDEMYPE's own resources.

FIDEMYPE offers a track record of best practices that may be applied elsewhere in Latin America and the Caribbean to better serve low-income entrepreneurs and producers. For instance, FIDEMYPE has developed an effective and unique risk-assessment system, which provides a risk profile, a collateral requirement and a credit limit to each of its nonbank institutional clients. These institutions in turn provide individual borrowers with an average loan of around \$1,500. Two thirds of the individuals receiving these loans are women.

Although its credit operations are directed to service low-income microentrepreneurs, FIDEMYPE has shown that this market can be consistently profitable. In a recent three-year period none of its loans were nonperforming.

FIDEMYPE represents a public-private partnership. Its borrowers are from the private sector. Its trustee is the *Banco Multisectorial de Inversiones* of El Salvador, an official institution that, while not guaranteeing FIDEMYPE's operations, provides that institution with critical managerial and technical support.

Five percent of FIDEMYPE's profits go to the *Fundación de Capacitación y Asesoría en Microfinanzas*, a foundation that provides training and advisory services to microfinance institutions.



**For more information about the program
contact: OM-IDB@iadb.org**



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