

## Trends in Caribbean Microfinance: The Impact of CARIB-CAP

**T**raditionally, microfinance institutions in the English-speaking Caribbean (including Belize, Guyana and Suriname) have not performed well, and have been weak institutionally, compared to their counterparts in Latin America and the Dominican Republic. This has been due to, among other things, a lack of knowledge about international best practices in microfinance which has resulted in a lack of technical, financial and governance skills as well as the market intelligence needed to develop products and services that meet the needs of their clients.

### A historic partnership

In recognition of these challenges, in 2008, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), the European Commission (EC) and the Caribbean Development Bank came together in a historic partnership in microfinance, to strengthen Caribbean MFIs, through the Caribbean Microfinance Capacity-Building programme (CARIB-CAP). This was the first systematic attempt by the MIF/IDB, the CDB and the EC to tackle issues in the microfinance sector in the Caribbean on a regional basis. According to the MIF, the project represented the final stage in the roadmap for strengthening MFIs in the Latin America and the Caribbean (LAC) region.

### Measurable Results...

The programme sought to improve the financial performance and outreach of MFIs in the region. CARIB-CAP I as it is now known was executed over thirty-six (36) months; ending in November 2011 with sound results:

- ✓ 18 MFIs (MFIs & Credit Unions) received individualized financial performance assessments, costing just under US\$17,000 per institution. Each participating institution contributed less than 5% of this amount.



A meeting of the CARIB-CAP Project Partners (IDB/MIF, DID, MFIs)

- ✓ 10 MFIs participated in capacity-building programme to improve financial performance. The average cost per institution was US\$160,000. Each institution contributed US\$4,200.
- ✓ A methodology for MFIs to set appropriate performance targets, and a reporting format to assess micro-credit portfolios were introduced and are now being utilized by 10 project beneficiaries.
- ✓ Establishment of individual loan officer performance incentive programmes in 10 MFIs.
- ✓ 10 MFIs rolled out new or re-scoped non-collateralized micro-credit products (loans based on upfront deposit and compulsory savings) on a pilot basis to clients.

- ✓ An increased awareness of the importance of social performance, transparency and good governance for MFIs.
- ✓ Establishment of the Caribbean Microfinance Alliance (CMFA) to foster knowledge-sharing and to advocate on behalf of the sector. Launched with 8 members, membership now stands at 19. Visit the CMFA website at [www.caribbeanmicrofinancealliance.com](http://www.caribbeanmicrofinancealliance.com).
- ✓ 3 Caribbean Microfinance Fora held to promote knowledge-sharing and bring international best practices to MFIs. Events have brought together experts from the Pacific, Europe, the United States, Latin America and the Caribbean.
- ✓ 2 first-ever Caribbean regional studies completed on: The Demand for Financial Services among Low-Income People; and Financial Regulation in the English-Speaking Caribbean.



Participants at the Caribbean Microfinance Forum III held in The Bahamas, November 13 - 16, 2011

CARIB-CAP I and the knowledge-sharing, both in the context of project activities and the Caribbean Microfinance Fora, have started a process of positive change in the microfinance sector. Significant gains have been made in terms of a fundamental change in mindset on the part of the MFIs and improvements in financial performance. A mid-term evaluation of the program confirmed a new awareness of *'what microfinance is, what it is not, and what changes need to occur in their institutions to offer 'true' microfinance'*.

#### ....But more needs to be done

However, more needs to be done, both on the demand and supply side of microfinance in the region, in order to produce a strong sector. Accordingly the MIF, the CDB and the EC are collaborating once again to support a proposed second programme in microfinance, CARIB-CAP II. CARIB-CAP II would continue to work with CARIB-CAP I MFIs but would also be extended to new institutions. Clearly a major boost for the region, the programme is expected to further strengthen the institutional capacity of MFIs providing financial services to micro-entrepreneurs. For more information please email Dr. Winsome Leslie - Specialist, Access to Finance Unit, MIF at [winsomel@iadb.org](mailto:winsomel@iadb.org).

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