In many countries, microenterprises and small businesses account for the major share of the private sector and employment. Yet, despite their size and importance, these businesses rarely have access to the savings, credit, and payment services provided by formal financial institutions.

Microfinance is a critical tool in the fight against poverty. Initiatives in microfinance foster a thriving private sector in developing countries, leading to sustained growth. Access to a range of microfinance services—savings, loans, and money transfers—enables poor families to invest in enterprise, improving living conditions for themselves and their communities.

**MIGA at Work**

Our political risk insurance plays a key role in bolstering the confidence of investors and lenders, and in facilitating investments with high development impact into underserved markets. This is crucial to the microfinance sector.

For example, MIGA has been active in microfinance in **Pakistan**. The country’s banking sector faces many challenges, including low banking penetration and limited access to finance, especially where small and medium-sized enterprises and rural communities are concerned. To assist underserved yet productive segments of Pakistan’s economy, in 2009 MIGA issued guarantees totaling $1.8 million for the establishment of the Kashf Microfinance Bank in conjunction with the Kashf Foundation, an organization that uses group lending to provide finance to micro and small business owners, especially women, across the country.

Our support in establishing a for-profit, national, and fully-regulated microfinance bank is helping to encourage new entrants and greater overall penetration to meet the vast need for financial services for Pakistan’s poor.

(cont’d)
Another example of MIGA’s support to microfinance is its recent guarantee of nearly $2 million to Banco de la Microempresa S.A. (Mibanco) and Grupo ACP Inversiones y Desarrollo of Peru for their investments to establish and operate Microfin, a microlending organization in Uruguay. Microfin focuses on loans between $3,500 and $10,000, but also provides loans below that range. The bank targets entrepreneurs with ten employees or less. With plans to establish an estimated 100 service points throughout the country, Microfin has a strong strategy to reach underserved segments of Uruguay’s market.

Importantly, Microfin also represents an example of a South-South (developing country to developing country) investment. Targeting this kind of investment is a critical part of MIGA’s mission.

**Small Investment Program Assists Microfinance**

In both the Pakistan and Uruguay examples, the covered investment was relatively small—as is often the case in the microfinance sector. MIGA offers a specific Small Investment Program that is used for many sectors, but is of particular applicability to microfinance. MIGA’s Small Investment Program is designed to grow the agency’s support for small and medium-sized investors by offering:

- a standardized package of risk coverages for currency transfer restriction, expropriation, and war and civil disturbance
- a quick and efficient underwriting process
- a single application form that can be completed online
- no application fee for eligible small and medium-sized investors