



Office of the President of the Philippines
NATIONAL ANTI-POVERTY COMMISSION

MICROFINANCE INDUSTRY ADVISORY

on

***Guide to Provision of Business Development Services
To Microfinance Clients***

Members, NAPC
Heads, Microfinance Institutions
Other Concerned Entities and Stakeholders
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Pursuant to the Social Reform and Poverty Alleviation Act of 1997 (Republic Act 8425), the National Anti-Poverty Commission (NAPC) is mandated to coordinate, oversee and monitor the implementation of poverty reduction policies and programs of the government, including those related to the strengthening of the microfinance industry. In support of the social reform agenda and in line with the objective of establishing an enabling environment for microfinance, the NAPC is issuing Industry Advisories to ensure that sound, viable and sustainable microfinance programs and practices are observed among microfinance institutions, concerned entities and other stakeholders in the delivery of microfinance services.

1. This advisory provides information to help MFIs identify strategies to improve the access of their clients to business development services (BDS) and ensure efficient and effective provision of BDS to complement their core services.
2. BDS refer to the wide array of non-financial services that are vital to the development of sustainable microenterprises. While the primary role of microfinance institutions (MFIs) remains to be the provision of financial services, complementing these services with BDS has become an important strategy to ensure the efficacy of their operations.
3. There are different modalities by which an MFI can provide or facilitate BDS as follows:
 - a) direct provision – The MFI creates a special BDS unit within its existing organization which has an entirely independent or separate cost or profitability center from its financial services;

b) forging strategic alliances with existing BDS providers – The MFI links or partners with accredited BDS providers by: a) referring/endorsing clients to accredited BDS providers; b) outsourcing; or c) engaging professional institutions or groups on fee or retainer basis to meet their clients' demand for BDS; and

c) establishment of specialized, subsidiary or “spin-off” firms – The MFI establishes a spin-off firm or institution that specializes in BDS using separate staff, infrastructure, management, and operational systems.

The choice of modality depends on the existing demand and supply of BDS in the area, MFI's capacity to provide such services and nature of BDS services. Regardless of modality, the MFI needs to develop institutional capacity for BDS either by identifying, hiring, and/or training staff in BDS program management to ensure complementation with its microfinance services. It is also important to identify and isolate BDS activities and costs from the MFI's financial services by creating separate units and cost / profitability centers for each of the two services to preserve the integrity of microfinance services and avoid confounding their specific objectives.

4. The following should be considered in providing appropriate and sustainable BDS to microfinance clients:

- a) BDS should be demand-driven.
- b) Demand should be appropriately matched with existing supply of BDS.
- c) Provision of BDS should be financially sustainable.
- d) BDS should be cost-efficient and affordable to clients.

5. Other information on BDS including a list of services offered by existing service providers can be found in the *Business Development Services for Microenterprises: A Guide for MFIs* which can be accessed at www.napc.gov.ph (Microfinance Section)

Please be guided accordingly.



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