

## PRIVATE SECTOR PEER LEARNING: MECHANISM PROFILES

# Micro and Small Enterprise Fund (MASSIF), Netherlands Development Finance Company (FMO)

**Description:** The [Micro and Small Enterprise Fund](#) (MASSIF) is a fund managed by the Netherlands Development Finance Company (FMO) on behalf of the Dutch government that supports micro, small and medium-sized enterprises by providing resources to local financial institutions and intermediaries that reach them.

**Objectives:** By financing local financial institutions and intermediaries, particularly those operating in rural areas, MASSIF seeks to expand access to financial services to micro, small and medium-sized enterprises as well as lower-income households. Since these groups often have difficulties accessing capital and payment services, expanding access will boost job creation and improve quality of life in the areas served.

**Partners:** MASSIF clients can be: 1) micro, small and medium-sized enterprises or commercial banks looking to expand their client base by downscaling; 2) microfinance intermediaries seeking to broaden their services in rural areas; or 3) non-governmental organisations looking to transition into official finance entities.

**How it works:** MASSIF clients can access a variety of instruments, such as local currency debt, mezzanine structures, direct equity and investment funds. MASSIF also offers capacity development grants, which are disbursed to finance risk management systems, management training, product development, independent board seats and other capacity-related projects.

To access the instruments offered by the fund, a potential client must submit a business proposal that provides proper analysis of the market, competition and opportunity to MASSIF. Criteria taken into consideration for the assessment of proposals include: the type of client (micro, small or medium-sized enterprise, bank, fund, microfinance intermediary or non-governmental organisation); the area where the client operates; the type of group(s) served (micro, small or medium-sized enterprise or low-income household) and the proportions of certain target groups; agricultural and rural groups served; riskiness of the investment (due to conditions, the financial product or the start-up phase); innovation, scalability and development potential of the project (particularly in low-income and rural communities); project capacity to become financially sustainable and generate reasonable financial returns (a minimum internal rate of return of 7% over five to seven years); and project compliance with environmental, social and governance requirements.

**Monitoring and evaluation:** It appears that the programme is evaluated by geographical area and the specific client served. An evaluation of the support to eight financial institutions across Sri Lanka and India was carried out by Oxford Policy Management and MicroSave and two impact and evaluation studies were initiated in 2013 for two institutions in sub-Saharan Africa and Bolivia. Dalberg conducted an ex-post effectiveness study that assessed, among other things, the effectiveness and additionality of MASSIF's local currency financing in expanding and improving the provision of financial services to micro, small and medium-sized enterprises in Central America.

**Results:** The Oxford Policy Management and MicroSave study found that six MASSIF-supported financial institutions expanded loan portfolios for micro, small and medium-sized enterprises faster than market trends and investments in private equity funds for small and medium-sized enterprises in India were highly relevant due to capital scarcity faced by local small and medium-sized enterprises. Field visits illustrated the perceived value added of capacity development

**Development Assistance Committee member:** Netherlands

**Duration:** Ongoing since 2006

**Budget:** EUR 309 million at close of 2011

**Geographic focus:** Global, low- and middle-income countries

**Sectoral focus:** Micro, small and medium-sized enterprises

**Offered:** Equity (venture capital, equity capital and mezzanine for taking participations), borrowed capital (credit lines), guarantees, and capacity development grants

and training provided to the clients. The Dalberg study found MASSIF's interventions to be satisfactory in terms of strengthening financial institutions and overall sufficient in terms of increasing and improving financing for micro, small and medium-sized enterprises in Central America.

**Insights:** The sustainability of the MASSIF model is an innovation. New investments are financed through repayments and income from the existing portfolio while bearing risks that are considered too high for other investors, like currency risks, unstable environments, limited track records and limited exit opportunities.

**SOURCES:**

Dalberg (2015), "FMO Ex-Post Effectiveness Study: Local Currency Financing of (M)SME Financial Institutions in Central America", Netherlands Development Finance Company (FMO), The Hague, [www.fmo.nl/massif](http://www.fmo.nl/massif); FMO (n.d.), "MASSIF", [www.fmo.nl/massif](http://www.fmo.nl/massif) (accessed 1 July 2016).

Oxford Policy Management (n.d.), "MSME development in South Asia: evaluating the effectiveness of FMO support to financial intermediaries in Sri Lanka and India", [www.opml.co.uk/projects/msme-development-south-asia-evaluating-effectiveness-fmo-support-financial-intermediaries](http://www.opml.co.uk/projects/msme-development-south-asia-evaluating-effectiveness-fmo-support-financial-intermediaries) (accessed 1 July 2016).