



CUBA STUDY GROUP
MICROLOAN FUND

FACT SHEET

What is the Cuba Study Group Microloan Fund?

It is a proposal announced by the Cuba Study Group in September of 2006, to jump-start the Cuban economy through a series of microeconomic reforms and a multi-million dollar initiative aimed at providing ordinary Cuban citizens with the capital and the know-how to start and operate their own, independent businesses.

How much will the Cuba Study Group contribute to this Fund?

The Cuba Study Group has committed to raising an initial tranche of \$10 million, with a plan to obtain significant additional commitments. In addition, the CSG has provided seed funding to the University of Miami's Institute for Cuban and Cuban-American Studies for the launch of a web-based facility to provide Cubans on the Island with education and training.

Who is Banco Compartamos, S.A.?

Compartamos was created in 1990 to provide opportunities and offer credit to micro-businesses as a means to contribute to Mexico's development. On June 1st, 2006, Compartamos was authorized by the Mexican government to operate as a bank, "Banco Compartamos, S.A., Institucion de Banca Multiple." Its credit quality has been rated by Standard & Poor's and by Fitch; allowing it to enter the market by issuing bonds. Thus, Compartamos is the first microfinance company in the world to issue debt on the stock market with its own collateral, and become a financial intermediate between large investor and low-income groups.

How will the Cuba Study Group implement this initiative?

The Cuba Study Group has partnered with *Banco Compartamos, S.A.*, the largest micro-lender in Latin America, to deploy a national network within Cuba to offer microloans and training to Cuban entrepreneurs. We intend to make these loans available in every province.

How will the initiative be funded?

The Cuba Study Group will work to secure funding from private individuals, financial institutions, foundations as well as public funding sources around the world.

Are there any conditions on the implementation of this initiative?

The only conditions necessary for the implementation of this initiative is for the Cuban government to remove all restrictions on the formation and operation of private enterprises in Cuba, including the ability to hire employees directly and sell goods on the open market; and to allow institutions to offer microloans directly to the Cuban people.

What constitutes a microloan?

A microloan is a financial and a social tool, which enables microentrepreneurs, who otherwise have no access to credit, to gain access to small amounts of capital that they can use to open, operate or expand a microenterprise. The size and methods of offering microloans varies greatly from one country to another and depend greatly on social, economic and cultural factors. The CSG Microloan Fund initiative will build on Compartamos' successful model while adapting it to the realities of Cuba.

How will the Cuba Study Group benefit from the CSG Microloan Fund?

Neither the Cuba Study Group nor its members have any financial interest in the CSG Microloan fund, nor will they profit in any way from its activities. The Cuba Study Group will only benefit by ensuring that the Cuban people have the resources and the know-how to improve the quality of life for their families and to transform Cuba into a productive nation.

Are any changes in U.S. law necessary for the implementation of this initiative?

No. The most important obstacles to the implementation of this initiative are Cuban laws restricting private enterprise in Cuba. We are confident that once the Cuban government has lifted restrictions on private enterprise in Cuba, that the U.S. government will issue the necessary licenses or enact the necessary reforms for the implementation of this initiative.

Is this initiative exclusively American?

No. The operation partner responsible for carrying out the lending process within Cuba is a Mexican-based financial institution: Banco Compartamos, S.A. In addition, the Cuba Study Group is seeking financial participation by foreign institutions and governments.

Who will receive the microloans in Cuba?

Ordinary Cuban citizens inside the island who want to start and operate their own, independent microenterprises.

Will the recipients of the microloan pay interest?

Yes. Extensive experience throughout the world in the microfinance field have proven that charging interest on microloans is not only necessary for its sustainability, but desirable. In fact, the default rates on microloans of most successful lending institutions are significantly lower than for traditional commercial loans. The high transactional cost of each microloan, especially in relation to the size of the loan makes it necessary for institutions to charge interest rates to cover operational costs. Since the CSG Microloan Fund will be a purely non-profit endeavor, all interest will be reinvested in order to provide loans to more Cuban entrepreneurs.

What is the difference between the CSG Microloan Fund and the Cuban Enterprise Fund?

They are two completely separate initiatives, both aimed at providing Cuban entrepreneurs with the resources and the know-how to create a productive and socially just economy. While the CSG Microloan Fund is aimed at providing Cuban entrepreneurs with microloans to start and operate their own micro-enterprises, the Cuban Enterprise Fund would be charged with making capital available to medium and large enterprises through equity investments.

Where can I read more about the CSG Microloan Fund?

Visit the Cuba Study Group website at www.CubaStudyGroup.org and select "Our Projects".