IFC International Finance Corporation WORLD BANK GROUP

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IFC Financing to Micro, Small, and Medium Enterprises in Sub-Saharan Africa

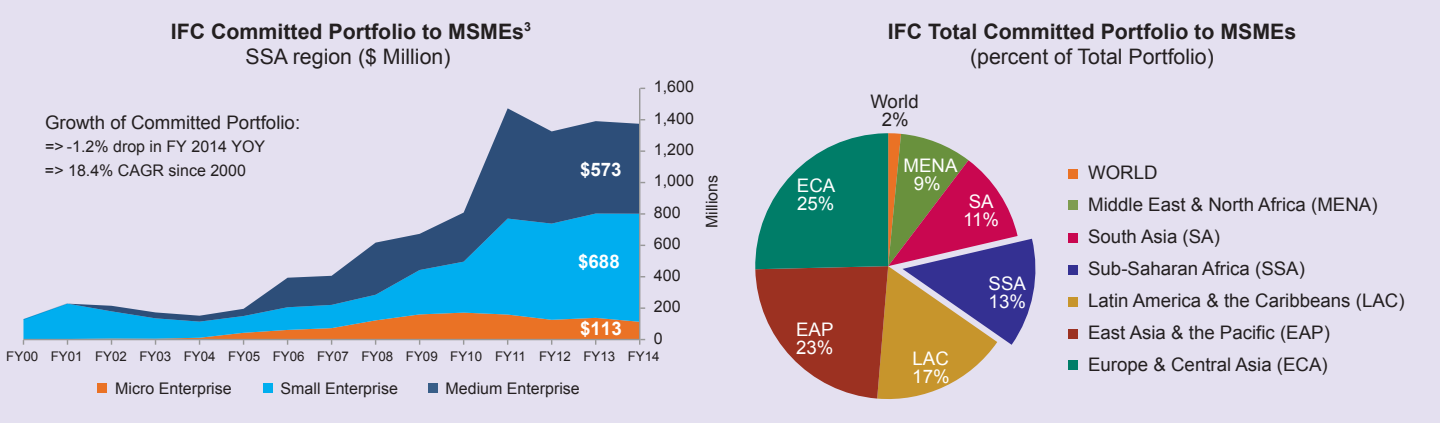
Key Highlights

IFC is working to develop solutions to close the micro, small, and medium enterprise (MSME[1]) financing gap, collaborating with 64 financial institutions (FIs) across 21 countries in Sub-Saharan Africa (SSA) region.

As of June 2014, IFC committed a total of $1.9 billion to MSME finance in SSA Region[2], $1.4 billion for long term finance, $255.8 million for funds supporting MSMEs, and $241.9 million for trade finance. In fiscal year (FY) 2014 alone, IFC MSME commitments in the region were $713 million (down 5.1 percent from $749 million in FY2013), $128 million of which was attributed to long-term financing.

By the end of calendar year (CY) 2013, IFC's MSME clients had 1.8 million micro loans outstanding in SSA region (up from 697.7 thousand in CY2012), totaling $1.5 billion (up from $622.0 million in CY2012). Similarly, IFC's SME financial institution (SME FI) clients had over 154.2 thousand small and medium loans outstanding by the end of CY2013 (up from 101.9 thousand in CY2012), totaling $7.1 billion in this region (up from $7.0 billion in CY2012).

MSME Financial Intermediary Portfolio, FY2014 (as of June 2014)



MSME Loans by Type of IFC Clients in SSA Region, CY2013

MSME Loans by Microfinance Institutions

IFC was able to survey or extrapolate outreach data from 26 clients - microfinance institutions (MFI) in 12 countries, 46 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio in '000 $	Average Loan Size, $	NPL percent[4]
Micro Loans	1,191,002	$556,742	$467	3%
Small Loans	61,733	$235,117	$3,809	3%
Medium Loans	1,395	$191,332	$137,155	7%

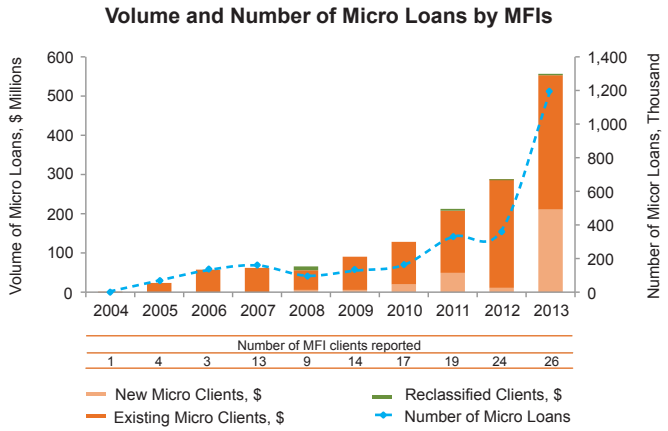
MSME Loans by SME Financial Institutions

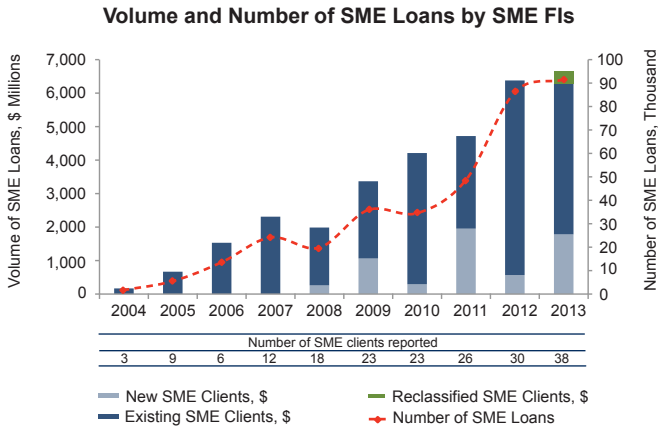
IFC was able to survey or extrapolate outreach data from 38 clients - Small and Medium Enterprises (SME) FIs in 19 countries, 53 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio in '000 $	Average Loan Size	NPL percent[4]
Micro Loans	578,575	$916,337	$1,584	13%
Small Loans	69,523	$1,833,867	$26,378	11%
Medium Loans	21,593	$4,809,264	$222,728	9%

1. MSME Firm Size Definitions: IFC's Global Financial Markets categorizes its clients' sub-borrowers according to the following definitions: (1) microfinance institution if loan < $10,000 at origination; (2) small enterprises if loan < $100,000 at origination; (3) medium enterprise if loan < $1 million at origination ($2 million for more advanced countries).
2. The share of committed loans to microfinance institutions in MSME committed portfolio decreased from 9.9 percent in FY2013 to 8.2 percent in FY2014; small enterprises accounted for 50.1 percent in FY 2014 (47.8 percent in FY2013); medium enterprises accounted for 41.7 percent in FY2014 (42.3 percent in FY2013).
3. The committed portfolio in MSME FIs below does not include commitments for commercial banking trade finance and collective investment vehicles.
4. Nonperforming Loan (NPL) = > 90 days past due loans.

Growth Trends of Loans Volume by Type of Institution in SSA Region, CY2004-CY2013

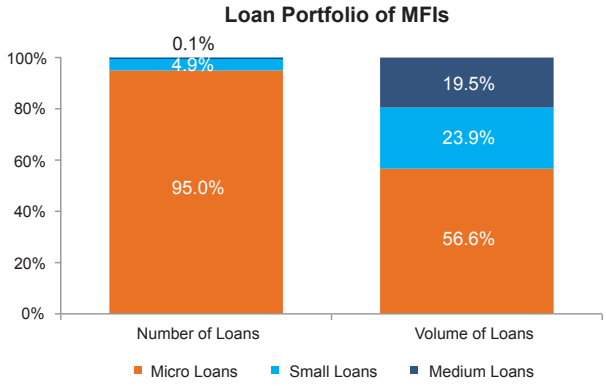


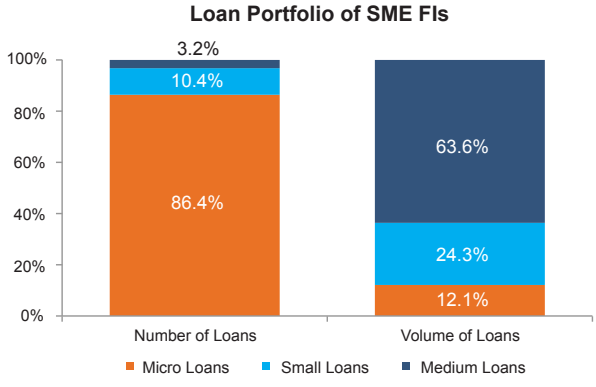


A smooth growth in volume of micro loans provided by microfinance institutions was observed over the last several years. The expansion of MFI portfolio by 36 percent in CY2012 was attributed to 4 new clients in Kenya, Zambia, Cote D'Ivoire and South Africa, which expanded the IFC portfolio by $10 million; another $70 million came from growth of existing clients' loan portfolio. In CY2013 micro loans portfolio held by IFC MFI clients increased almost twice in volume terms in comparison with CY2012. More than 75 percent of this growth was attributed to the new clients' portfolios in Ghana, Nigeria, Congo and Tanzania, which altogether constitute 38 percent of the regional portfolio.

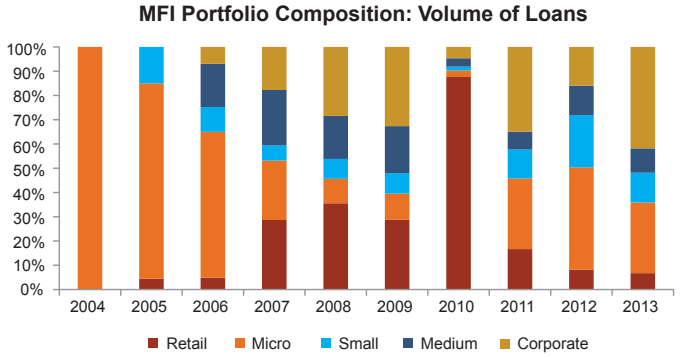
The portfolio of SME loans provided by SME clients demonstrated upward sloping dynamics over the last years. Portfolio growth by 35 percent in CY2012 since CY2011 was driven by adding 7 new clients in Mali, Kenya, Uganda, Tanzania, Ghana, Rwanda and Burundi, which jointly added $570 million to the SME loans portfolio. Also, the scaling up of existing clients further boosted the growth of the SME portfolio. In CY2013 SME loan portfolio held by SME FIs increased by 4 percent in volume and 6 percent in number terms. IFC added 12 new SME clients over the course of the year, although the subsequent growth in the SME client portfolio has been rebalanced by closing the projects with 6 clients that ceased to report to IFC.

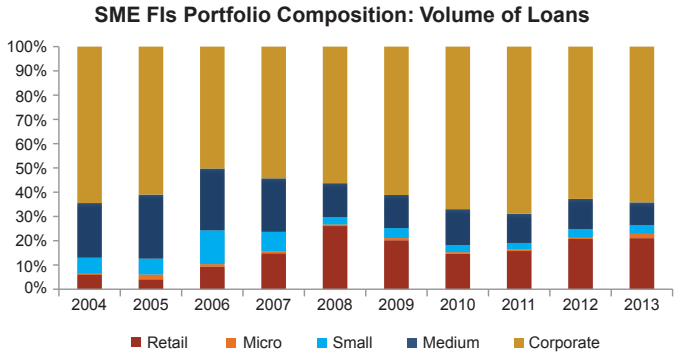
MSME Portfolio Composition by Loan Category in SSA Region, CY2013





Total Portfolio Composition by Loan Category in SSA Region, CY2004-CY2013

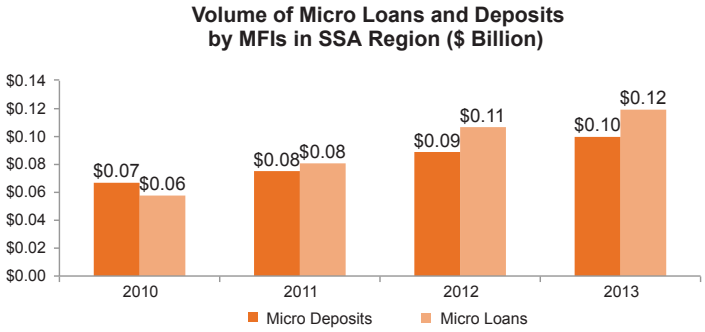


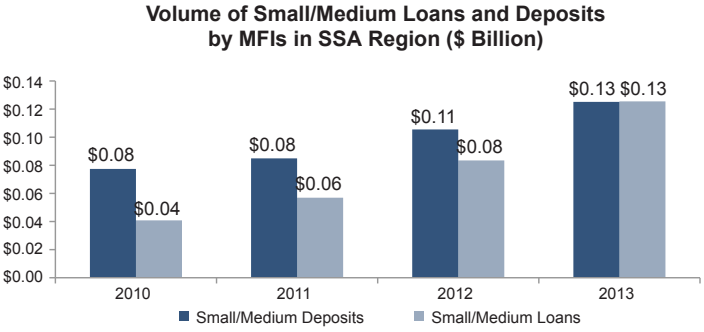


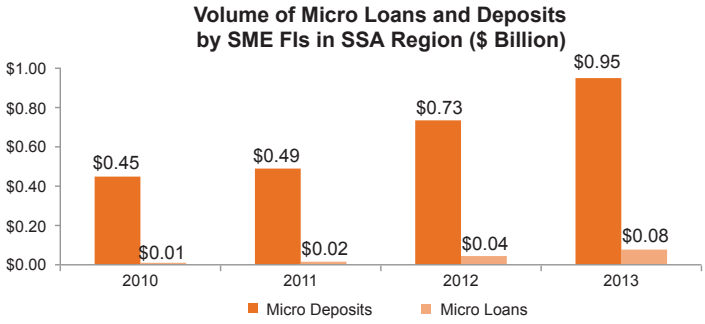
Change in Deposits Volume CY2010-CY2013[5]

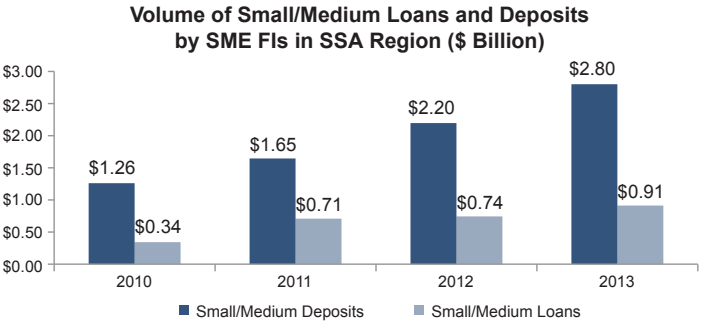
The dynamic trends of IFC clients' portfolios can be assessed by comparing the loan and deposit portfolios of the sampled microfinance institutions and banks. Over the last four years the deposits held by MFIs in SSA region demonstrated steady growth: the deposits volume increased at 15.7 percent annual compounded rate since CY2010, while loan portfolio grew by 30.2 percent per year during the same period. On average the deposits held by the sampled MFIs during the last four years surpassed their loan portfolio by 14 percent.

The deposits held by SME FIs consistently increased over the last four years at 30 percent a year rate on a compounded basis since CY2010, while loan portfolio of the sampled banks grew at 41.1 percent a year during the same period. Deposits base of SME FIs were on average 3.8 times larger than the loan portfolio of the sampled banks.





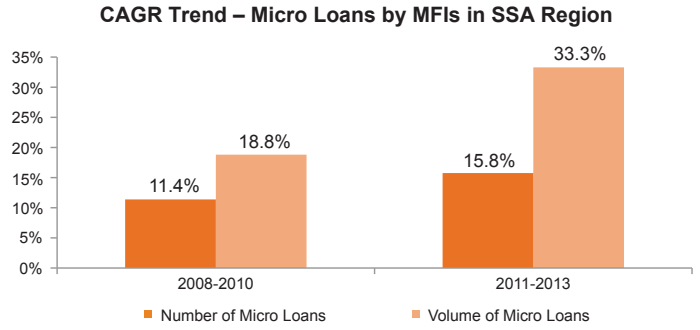


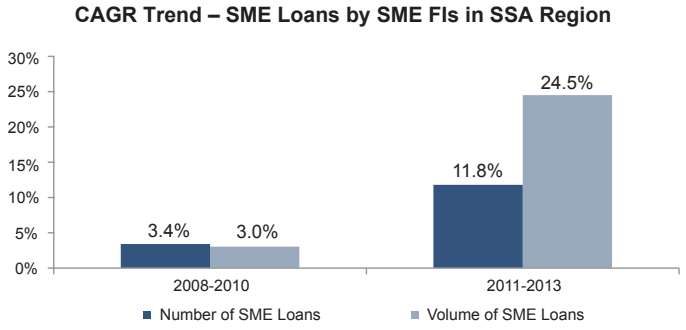


5. The deposits data includes retail, MSME and other commercial portfolio deposits. Micro and Small/Medium deposits classifications were done in accordance with definition of relevant loan size noted in footnote 1.

   Loan-Deposit analysis are done on the basis of repeated clients, which means that the data used for comparison of Micro/SME loans and deposits are comprised only of those clients that reported each of the last 4 years all 4 data series (Micro deposits, SME deposits, Micro Loans, SME Loans). Globally IFC had 72 such clients, 31 of which are in IDA countries, 10 of such clients reside in SSA.

Trend Analysis of Compounded Annual Growth Rate (CAGR)[6]





Client Highlight: FCMB, Nigeria

About the client

First City Monument bank (FCMB) was established in 1982 and headquartered in Lagos, Nigeria and has emerged as one of the top 10 leading financial services institutions in Nigeria. In 2011, FCMBs SME market share was 3.8%. With the acquisition of First Inland Bank PLC (Finbank), the Bank expanded its footprint in Nigeria and signed on to an Advisory Services program with IFC to help it execute its strategy to expand its service offer to the small and mid-size business segment.

Of the 1.53 million formal SMEs in Nigeria, 71% are unserved or underserved by financial institutions. Only 5 percent of SMEs in Nigeria have access to a loan, and 59 percent report difficulties accessing financial services. The banks however acknowledge that despite the inherent risks the sector is underserved and has potential for greater profitability than the corporate segment.

Engagement with IFC

FCMB is one of IFC's strategic clients in Nigeria with one of the oldest and strongest relationships. In 2007, IFC gave the Bank a US$12.5 million trade finance facility followed by a US$140 million convertible senior loan and a Trade line of US$70 million. In June 2014, IFC provided FCMB with a financing package of US$50 million, of which US$20 million has been allocated to sustainable energy finance. IFC's Advisory Services will build the capacity of the Bank staff to ensure utilization of the facility in 24 months.

Over the past 18 months, the Bank has been implementing an SME Banking Advisory Services program with IFC. The AS supported FCMB in developing a business banking value proposition and business model, new SME products, an SME Credit manual, marketing material, Business Analytics support and staff training on Credit analysis and Sales.

Development Results

To date the Banks development results have been impressive. The value of outstanding loans grew from US$191 million in May 2012 to US$544.7 million in June 2014. The number of outstanding loans grew from 3,200 in May 2012 to 4,957 in June 2014. Between January 2013 and June 2014, 4,233 loans, valued at US$849.9 million, were disbursed.

Deposit mobilization was a key driver for the Bank targeting the SME segment and the value of deposits grew from US$630.3 million in May 2012 to US$1,318 million in June 2014. The rate of customer acquisition doubled over the same period: from 1,037 deposits accounts in January 2013 and 3,105 accounts in June 2014. NPLs declined from a peak of 24% to 10% within the period. The high NPLs were in part attributable to the acquisition of Finbank's portfolio. The Bank has increased its branches from 120 to 270 due to Finbank and increased its market share from 3.8% in 2012 to 6% in 2014 which it projects to be 8% by 2015.

6. Compounded annual growth rate (CAGR) from 10 reporting and repeated clients in the CY2008-CY2010 period, 32 reporting and repeated clients in the CY2011-CY2013 period, excluding greenfield institutions and FIs that are closing their operations.

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